COVER SHEET

845

SEC Registration Number

SOLID GROUP, INC.

(Company's Full Name)

SOLID HOUSE BLDG., 2285

PASONG TAMO EXT. MAKATI CITY

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

	843-1561
Contact Person	Company Telephone Number

Definitive Information Statement 2016

12	31		05
Month	Day	FORM TYPE	Month Day
Fiscal Year			Annual Meeting

Secondary License Type, If Applicable

Dept Requiring this Doc

Amended Articles Number / Section

Total Amount of Borrowings

Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

CC: PHILIPPINE STOCK EXCHANGE

SOLID GROUP INC.

NOTICE OF ANNUAL STOCKHOLDERS' MEETING

To All Stockholders:

Please be advised that the annual meeting of the stockholders of Solid Group, Inc. will be held on June 30, 2016, at 3:00 p.m. at the Soma, Ground Floor, Green Sun, 2285 Don Chino Roces Avenue Extension, Makati City.

The following is the agenda of the meeting:

1. Call to order
2. Proof of notice and certification of quorum
3. Approval of minutes of previous stockholders' meeting
4. Management report and audited financial statements
5. Ratification of acts of management
6. Election of directors
7. Appointment of external auditors
8. Other matters
9. Adjournment

For purposes of the meeting, stockholders of record as of May 31, 2016 are entitled to notice of and to vote at the said meeting. Registration for the said meeting begins at 2:00 p.m. For convenience in registering your attendance, please have available some form of identification, such as a driver's license, voter's ID, TIN card, SSS card or passport.

If you will not be able to attend the meeting but would like to be represented thereat, you may submit your proxy form, duly signed and accomplished, to the Office of the Corporate Secretary at the head office of Solid Group, Inc., 2285 Don Chino Roces Avenue, Makati City, on or before June 20, 2016. Beneficial owners whose shares are lodged with PDTC or registered under the name of a broker, bank or other fiduciary allowed by law must, in addition to the required I.D., present a notarized certification from the owner of record (i.e. the broker, bank or other fiduciary) that he is the beneficial owner, indicating thereon the number of shares. Corporate shareholders shall likewise be required to present a notarized secretary's certificate attesting to the authority of its representative to attend and vote at the stockholders' meeting.

Validation of proxies will take place on June 24, 2016 at the office of the Company's stock transfer agent.

Makati City, Metro Manila, Philippines, May 6, 2016.

ROBERTO V. SAN JOSE
Corporate Secretary

ANNEX "A"

AGENDA
Details and Rationale

1. Call to order

The Chairman of the Board of Directors, Mrs. Susan L. Tan, will call the meeting to order.

2. Proof of notice and certification of quorum

The Corporate Secretary, Roberto V. San Jose, will certify that copies of this Notice have been sent to all stockholders of record as of May 31, 2016, and whether the attendees represented at the meeting hold a sufficient number of shares for quorum to exist for the valid transaction of business.

3. Approval of minutes of previous stockholders' meeting

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

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

> *"RESOLVED, that the minutes of the Annual Stockholders' Meeting of Solid Group, Inc. held on June 25, 2015 be, as it is hereby, approved."*

4. Management report and audited financial statements

The President, Mr. David S. Lim, will present his Report to Shareholders, discuss initiatives undertaken and challenges faced by Company in 2015, and share his personal perspective of the Company's future.

The President and Chief Executive Officer, Mr. David S. Lim, will present the Management Report, the Company's operational highlights and financial results and the audited financial statements for the year ended December 31, 2015. The audited financial statements were prepared by the Company's independent auditors, Punongbayan & Araullo, a member firm of Grant Thornton International Ltd, and approved by the Company's Audit and Governance Committee and the Board of Directors. In compliance with regulatory requirements, the audited financial statements have also been submitted to the Securities and Exchange Commission and Bureau of Internal Revenue.

Questions will be entertained from the stockholders after the presentation.

The stockholders will be requested to approve the annual report of management as presented by the Chairman and the President, and the audited financial statements for year ended December 31, 2015. The following is the proposed resolution:

> *"RESOLVED, that the Annual Report of Management as presented by the Chairman and the President, and the Company's audited financial statements for the year ended December 31, 2015 be, as it is hereby, approved."*

5. Ratification of acts of management

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

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

6. Election of directors

It is proposed to re-elect the same members of the Board of Directors. The biographical profiles of the Directors-Nominees are provided in pages [7-8] of the Information Statement that has been sent together with copies of this Notice to all stockholders of record. The Director-Nominees are the following:

For Regular Directors

1. Elena S. Lim
2. Susan L. Tan
3. David S. Lim
4. Jason S. Lim
5. Vincent S. Lim
6. Joseph S. Lim
7. Beda T. Manalac

For Independent Directors

8. Maria G. Goolsby
9. Quintin Chua

Voting may be done in person or by proxy. Proxy forms have been distributed to all stockholders of record together with this Notice. Signed and accomplished proxy forms are required to be submitted not later than 6:00 p.m. of June 20, 2016 and shall be validated. Votes may be cumulated as provided in the Corporation Code.

7. Appointment of external auditors

Upon the favorable recommendation of the Company's Audit and Governance Committee, the Company's external auditor, Punongbayan and Araullo, is proposed to be reappointed for the current year 2016-2017. The new audit partner-in-charge for audit year 2016 shall be Ms. Sheryl G. Llovido. The following is the proposed resolution:

> *"RESOLVED, that auditing firm Punongbayan and Araullo be, as it is hereby, reappointed as the Company's external auditor for the current year 2016-2017."*

8. Other matters

Stockholders may propose to discuss other issues and matters.

9. Adjournment

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

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 20
Information Statement Pursuant to Section 20
of the Securities Regulation Code

SECURITIES AND EXCHANGE COMMISSION
RECEIVED
MAY 19 2016
MARKET REGULATION DEPT.
BY:
TIME:

1. Check the appropriate box:

   ______ **Preliminary Information Statement**

   ✔ **Definitive Information Statement**

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

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

4. SEC Identification Number: 845

5. BIR Tax Identification Code: 321-000-508-536

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

7. Registrant's telephone number, including area code: (632) 843-1511

8. Date, time and place of the meeting of security holders: June 30, 2016 at 3:00 p.m. at the Soma, Ground Floor, Green Sun, 2285 Don Chino Roces Avenue Extension, Makati City.

9. Approximate date on which the Information Statement is first to be sent or given to security holders June 9, 2016

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

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding
Common	2,030,975,000 Common Shares (including Treasury Shares)

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

    Yes **X** No ______

WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND US A PROXY

SOLID GROUP, INC.
INFORMATION STATEMENT

A. GENERAL INFORMATION

Date, Time and Place of Meeting of Security Holders:

The annual stockholders' meeting will be held on **June 30, 2016** at 3:00 pm at the Soma, Ground Floor, Green Sun, 2285 Don Chino Roces Avenue Extension, Makati City.

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

The approximate date when the information statement will be first sent to security holders will be on **June 9, 2016.**

Dissenters' Right of Appraisal

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

a. In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of share, or of authorizing preferences in respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence (Section 81);

b. In case of the sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets (Section 81);

c. In case of merger or consolidation (Section 81); or

d. In case of investments in another corporation, business or purpose (Section 42).

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

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

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

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

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

B. CONTROL AND COMPENSATION INFORMATION

Voting Securities and Principal Holders

The record date to determine the stockholders entitled to notice and to vote at the meeting is on May 31, 2016.

As of record date May 31, 2016, there are 1,821,542,000 outstanding common shares (excluding treasury) entitled to notice and to vote during the meeting. Each common share is entitled to one vote, except with respect to the election of directors where the stockholders are entitled to cumulative voting. There is no classification of voting securities.

The election of the board of directors for the current year will be taken up and all stockholders have the right to cumulate their votes in favor of their chosen nominees for director in accordance with Section 24 of the Corporation Code. Section 24 provides that a stockholder, may vote such number of shares registered in his name as of the record date for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit. The total number of votes cast by such stockholder should not exceed the number of shares owned by him as shown in the books of the corporation multiplied by the whole number of directors to be elected.

Equity Ownership of Foreigners

As of record date May 31, 2016, foreigners collectively own 11,591,432 outstanding common shares which constitutes 0.64% of the total outstanding common shares.

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

The owners of more than 5% of the Company's voting securities as of record date May 31, 2016 are 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)Citizen-ship	(5) No. of Shares Held [record (r) or beneficial (b)]	(6) Percent
Common	AA Commercial, Inc. [1] 1172 Edsa, Balintawak Quezon City Affiliate	Vincent S. Lim Treasurer of AA Commercial Inc.	Filipino	583,377,817 (r) [1]	32.03
Common	AV Value Holdings Corporation[2] 2285 Pasong Tamo Ext,	David S. Lim President of AV Value Holding	Filipino	499,999,999 (r) [2]	27.45

	Makati	Corp.			
	Affiliate				
Common	PCD Nominee Corporation (F) G/F MSE Bldg., 6767 Ayala Ave., Makati	Various stockholders None	Filipino	364,255,292 (r) [3]	20.00
	Stockholder				
Common	Lim, David S c/o Solid House, 2285 Pasong Tamo Ext, Makati	Not applicable	Filipino	179,488,591 (r and b)	9.85

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

2: AV Value Holdings Corporation is owned by the Lim Family. Mr. David S. Lim is authorized to vote the shares of stock registered in the name of AV Value Holdings Corporation. Mr. David S. Lim is President of AV Value Holdings Corporation. Mr. David S. Lim is also the President and Chief Executive Officer of Solid Group, Inc.

3. To the best knowledge of the Company, there is no beneficial owner of shares lodged under PCD Nominee Corporation that owns more than 5% of the voting securities of the Company.

Security Ownership of Management:

The following directors and officers, and nominees for director, own the following shares of the Company's stock as of record date May 31, 2016 as set forth across their names below.

(1) Title of Class	(2) Name of Beneficial Owner	(3) Amount and Nature of Beneficial Ownership	(4) Citizenship	(5) % to Total Outstanding
Common	Lim, Elena S.	1,894 (direct)	Filipino	-
Common	Tan, Susan L.	78,645 (direct)	Filipino	-
		7,300,000 (indirect)[3]		0.40
Common	Lim, David S.	179,488,591 (direct)	Filipino	9.85
		5,000,000 (indirect)[3]		0.27
		499,999,999 (indirect) [2]		27.45
Common	Lim, Vincent S.	71,887,187 (direct)	Filipino	3.95
		583,377,817 (indirect) [1]		32.03
		5,996,000 (indirect) [3]		0.33
Common	Lim, Jason S.	65,176,160 (direct)	Filipino	3.58
Common	Chua, Quintin	5,000 (direct)	Australian	-
Common	Goolsby, Maria G.	10,000 (direct)	Filipino	-
Common	Lim, Joseph	2 (direct)	Filipino	-
Common	Beda T. Manalac	1,001 (direct)	Filipino	-
Common	San Jose, Roberto V.	242,000 (direct)	Filipino	0.01
Common	Katigbak, Ana Maria	-	Filipino	-
Common	Joaquin, Lita	7,010,000 (direct)	Filipino	0.38

Common	Corpuz, Mellina T.	-	Filipino	-
Common	Santiago, Josephine T.	7,000 (direct)	Filipino	-

The aggregate amount of ownership of all directors and officers as a group unnamed is 1,425,581,296 or 78.26% of the total issued and outstanding shares.

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

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

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

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. is a company 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 President of AV Value Holdings Corporation.

Change in Control

There has been no change in control of the Registrant since the beginning of its last fiscal year. There are no arrangements which may result in changes in control of the Registrant.

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 shown below:

Position	Name	Years Served in the Same Position	Age	Citizenship
Chairman Emeritus	Elena S. Lim	15	86	Filipino
Chairman of the Board	Susan L. Tan	15	62	Filipino
Director and President and Chief Executive Officer	David S. Lim	15	60	Filipino
Director and Sr. VP and Chief Operating Officer	Jason S. Lim	14	59	Filipino
Director and Sr. VP and Chief Financial Officer	Vincent S. Lim	6	57	Filipino
Director	Quintin Chua	22	56	Australian
Director	Maria G. Goolsby	1	77	Filipino

Director	Joseph Lim	6	89	Filipino
Director and VP for Business Development and Investor Relations	Beda T. Manalac	6	55	Filipino
VP and Treasurer	Lita Joaquin	14	55	Filipino
Corporate Secretary	Roberto V. San Jose	20	73	Filipino
Assistant Corporate Secretary	Ana Maria Katigbak-Lim	19	47	Filipino
VP and Chief Accounting Officer	Mellina T. Corpuz	10	49	Filipino
Chief Information Officer	Josephine T. Santiago		48	Filipino

The following is a brief write-up on the background and business experience of the Company's directors and executive officers during the last five (5) years:

Elena S. Lim is the Chairman Emeritus of the Company and has held such office since May 2001. Prior to that, she was President/ Chief Executive Officer from 1996 to May 2001 and has been a Director since 1996. She is also Chairman of the Board of Laguna International Industrial Park, Inc. and Starworld Corporation. She was formerly the President of Solid Corporation, Solid Distributors, Inc., AA Export and Import Corporation, AA Marine Development Corporation, Columbian Autocars Corporation, Solid Electronics Corporation, Solid Video Corporation, AA Electronics Corporation, Solid Manila Corporation and Kita Corporation. Mrs. Lim is married to Joseph Lim.

Susan L. Tan is the Chairman of the Board and has held the position since May 2001. She was Vice President of the Company from April 1999 to April 2001 and has been a Director since 1996. She was Chief Operating Officer of the Company from 1996 until March 1999. She is currently President of Solid Laguna Corporation and Solid Corporation and is also Managing Director of Solid Electronics Corporation and Solid Video Corporation. Mrs. Tan is the daughter of Joseph and Elena Lim.

David S. Lim is the President and Chief Executive Officer and has held the position since May 2001. He has also been a Director since 1996. He was also Vice-President from 1996 until April 2001. He is currently the President and Chief Executive Officer of Solid Broadband, Inc., Chairman of Zen Towers Corporation and Vice-President of Solid Corporation. He was formerly Chairman of Destiny Cable, Inc. and VP/Managing Director of Solid Video Corporation. Mr. Lim is the son of Joseph and Elena Lim.

Jason S. Lim is the Sr. Vice President and Chief Operating Officer and has held the position since May 2002. He has been a Director since May 1998. He is also currently President of Kita Corporation and Solid Manila Finance Inc. Previously, he was the EVP and Chief Operating Officer of Destiny Cable, Inc., and VP/Managing Director of Clark Plastics Manufacturing Corporation and Solid City Industrial and Commercial Corporation. Mr. Lim is the son of Joseph and Elena Lim.

Vincent S. Lim was elected Sr. Vice President and Chief Financial Officer on September 2010 and has been a Director since 1996. He was previously the Company's Sr. Vice President for Finance and Investments from June 2006 up to September 2010. Prior to this, he was Sr. VP and Chief Financial Officer of the Company from May 2002 up to June 2006. He simultaneously serves as VP Finance and Treasurer for Solid Laguna Corporation and Solid Distributors, Inc., Solid Electronics Corporation, AA Electronics Corporation, Kita Corporation, Solid Video Corporation and Solid Manila Corporation. He has also previously served as VP Finance, Treasurer and Corporate Secretary for Solid Corporation. Mr. Lim is the son of Joseph and Elena Lim.

Quintin Chua is an Independent Director and has held the office since March 25, 2003. He is the Chairman and Managing Director of Quantum Capital Management, Inc. (formerly QC Investments Pty. Ltd, Chairman and President of Nature's Harvest Corp. and Director of Hexagon Financing Corp.

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

Joseph Lim is the Founding Chairman of Solid Group of Companies and served as Chairman of the Board of the Company from 1996 until 2006. He is presently the Chairman of Phil-Nanning Consortium, Inc. (Phil-Nanning), a wholly owned subsidiary of the Company; and Chairman of Guangxi Fil-Dragon Real Estate Development Ltd., a company in Nanning, China, where Phil-Nanning has a 51% ownership. During the past five years to the 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. Mr. Lim is the incumbent Chairman of the China-Philippines Chamber of Commerce. Mr. Lim is married to the Company's Chairman Emeritus, Ms. Elena S. Lim, and is the father of Chairman Ms. Susan L. Tan and Directors Mr. David S. Lim, Mr. Jason S. Lim and Mr. Vincent S. Lim. Mr. Lim was re-elected Director in June 2010.

Beda T. Mañalac is a Director and Vice President for Business Development and Investor Relations and has held the position since September 30, 2010. He is President of Solid Manila Corporation effective January 2012. He is Vice President for Business Development of MyPhone mobile phones under MySolid Technologies and Devices Corporation and Solid Broadband Corporation since 2007. Prior to that, he was Vice President for Sales and Marketing of Destiny Cable, Inc. and Vice President for Broadband Services of Solid Broadband Corporation.

Lita Joaquin is the Treasurer and has held the position since May 2002. She was elected director from 2006–2007 and 1997-1998. She also served the Corporation as Comptroller in 1996 to April 2002. She simultaneously acts as Assistant Treasurer of Solid Corporation, Solid Distributors, Inc., Solid Electronics Corporation, Kita Corporation, Solid Video Corporation and Solid Manila Corporation. Ms. Joaquin is the niece of Mr. Joseph Lim.

Roberto V. San Jose is the Corporate Secretary of the Company and has held the office since 1996. He is Chairman of Mabuhay Holdings Corporation; a director of Interport Resources Corporation; and Corporate Secretary of Alsons Consolidated Resources Inc., Anglo-Philippine Holdings Corporation, Beneficial Life Insurance Corporation., Inc., FMF Development Corporation, Premiere Horizon Alliance Corporation, Marcventures Holdings, Inc, United Paragon Mining Corporation and Vulcan Industrial and Mining Corp. He is also either a director, corporate secretary, or an officer of various companies which are clients of the law firm of Castillo Laman Tan Pantaleon & San Jose, of which he is presently a Senior Consultant. He is a member of the Integrated Bar of the Philippines.

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

Energy Development Corporation, Mabuhay Holdings, Inc., Marcventures Holdings, Inc., Paxys Inc., and Premiere Horizon Alliance Corporation. She is a member of the Integrated Bar of the Philippines.

Mellina T. Corpuz is the Chief Accounting Officer and has held the position since June 2006. Prior to that, she was the Company's Senior Accounting Manager since 2002 and was the Accounting Manager since 1996.

Josephine Santiago is the Chief Information Officer in October 2012. She is also the Corporate Secretary of subsidiaries and affiliates of Solid Group, Inc. for the last five years.

Nominees for Election

The following have been nominated for election at the annual stockholders' meeting:

Position	Name	Age	Citizenship
Director	Elena S. Lim	86	Filipino
Director	Susan L. Tan	62	Filipino
Director	David S. Lim	60	Filipino
Director	Jason S. Lim	59	Filipino
Director	Vincent S. Lim	57	Filipino
Independent Director	Quintin Chua	56	Australian
Independent Director	Maria G. Goolsby	77	Filipino
Director	Joseph Lim	89	Filipino
Director	Beda T. Mañalac	55	Filipino

Independent Directors - Nominees

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

Ms. Maria G. Goolsby is an incumbent Independent Director of the Corporation. Please refer to the preceding discussion for the biographical information and background of Ms. Goolsby. She has been re-nominated for Independent Director by Ms. Elena S. Lim. She is not acting as a representative of any director or substantial shareholder of Solid Group, Inc. and/or any of its related companies and/or any of its substantial shareholders, pursuant to a deed of trust or under any contract or arrangement. Ms. Goolsby is not related to Ms. Elena S. Lim.

Nomination and Election of Independent Directors

The Company complies with the requirements of SRC Rule 38 on the nomination and election of independent directors. On June 9, 2009, the SEC approved the Amended By-laws incorporating the requirements under SRC Rule 38 on the nomination and election of independent directors.

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

1. Mr. Vincent S. Lim (Chairman)
2. Ms. Susan L. Tan (Vice Chairman);
3. Quintin W. Chua (Independent Director)
4. Ms. Mellina T. Corpuz (non-voting)

The Nomination Committee pre-screened and accepted the nominations of Mr. Quintin Chua and Ms. Goolsby as Independent Directors conformably with the criteria prescribed in SRC Rule 38 and the Company's Code of Corporate Governance. Mr. Chua was nominated by Mrs. Elena S. Lim while Ms. Goolsby was nominated by Ms. Susan L. Tan. Mr. Chua and Ms. Lim are not related to each other. Ms. Goolsby and Ms. Tan are likewise not related to each other.

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

In compliance with SEC Notice dated October 20, 2006, the Company will submit updated Certifications of Qualification for the Independent Directors within 30 days from their election.

Family Relationships and Related Transactions

Ms. Susan L. Tan, Mr. Vincent S. Lim, Mr. Jason S. Lim, and Mr. David S. Lim are the children of Ms. Elena S. Lim and Mr. Joseph Lim, all directors and executive officers of the Corporation. Ms. Lita Joaquin, the Treasurer of the Corporation, is the niece of Ms. Elena S. Lim. Other than the ones disclosed, there are no other family relationships known to the Company.

Significant Employees

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

Involvement in Certain Legal Proceedings

Ms. Elena S. Lim is included as co-defendant in a case filed by a certain bank against AA Export and Import Corporation for the collection of unsecured business loans granted to that company. In another collection case filed by another bank against AA Export and Import Corporation, Ms. Elena S. Lim, Mr. Joseph Lim, Ms. Susan L. Tan, Mr. David S. Lim, Mr. Jason Lim and Mr. Vincent S. Lim are impleaded as co-defendants.

Other than the foregoing, none of the directors and officers was involved in the past five years up to the date of this Information Statement in any bankruptcy proceeding. Neither have they been convicted by final judgment in any criminal proceeding, nor been subject to any order, judgment or decree of competent jurisdiction, permanently enjoining, barring, suspending, or otherwise limiting their involvement in any type of business, securities, commodities or banking activities, nor found in action by any court or administrative body to have violated a securities or commodities law.

Material Pending Legal Proceedings Involving the Company or its Subsidiaries

Solid Manila Corporation owns a parcel of land with improvements consisting of warehouses, canteen and parking/ open area located at Laguna International Industrial Park, Mamplasan, Binan, Laguna. Solid Manila Corporation entered into a contract of lease with Carina Apparel, Inc. on June 2, 2010 whereby Solid Manila Corporation leased to Carina Apparel, Inc. the said property. On February 20, 2014, Carina Apparel Inc. failed to pay the monthly rentals for the period April 2013, October 2013 to December 2013, January 2014 to February 2014 for a total amount of P10.43 million. Solid Manila Corporation filed a special civil action for ejectment against Carina Apparel, Inc. under Civil Case No. 110157 with the Metropolitan Trial Court, Makati City, Branch 62. The Court rendered judgment in favor of Solid Manila Corporation on September 26, 2014 and ordered Carinal Apparel, Inc. to vacate the property and peacefully surrender possession to Solid Manila Corporation, pay Solid Manila Corporation the amount of P12.51 million representing rentals in arrears as of March 10, 2014 and P2.07 million as monthly rental starting April 2014 and every month thereafter as reasonable rent or compensation for continued use and occupancy of property until the property is completely restituted to Solid Manila Corporation. With the foregoing Decision becoming final and executory on December 19, 2014, the Metropolitan Trial Court, Makati City Branch 62 issued a notice of levy and sale on all of the personal and office properties of Carinal Apparel, Inc. in the premises of the Laguna property. On January 26, 2015, after a sale by public auction was concluded by the Sheriff, a Certificate of Sale was issued by the Branch Sheriff of the Metropolitan Trial Court, Makati City Branch 62 in favour of Solid Manila Corporation as the highest bidder.

Certain subsidiaries of the Company are involved in litigation or other proceedings affecting their respective titles to real estate property and certain other litigation in relation to property:

1. Solid Corporation owns a parcel of land in Bgys. Talipapa and Pamaldan, Cabanatuan City, Nueva Ecija with an area of 1,914,180 square meters. This property is the subject of a case filed by Solid Corporation on October 17, 1995 with the Department of Agrarian Reform Regional Adjudication Board (RARAB) to declare the emancipation patents issued to several tenant farmers of the said property and any patents that may subsequently be issued covering the same, null and void on the ground that the requirements of Presidential Decree No. 27 have not been complied with. The portion of the property that may be subject to litigation consists of 47,211 square meters. On February 6, 1997, the case was submitted for resolution. On June 26, 1997, the RARAB ordered the processing of the Certificate of Land Transfer for issuance to the tenants. On July 31, 1997, Solid Corporation appealed the RARAB decision to the DAR's Central Adjudication Board (DARAB). The appeal was resolved adverse to Solid Corporation on January 31, 2002. Solid Corporation appealed the DARAB decision to the Court of Appeals on February 11, 2002. The Court of Appeals dismissed the petition of Solid Corp. on March 1, 2002. In November 2002, Solid Corporation withdrew its appeal at the Court of Appeals preparatory to negotiating with DAR and Landbank, which the Court of Appeals granted last June 28, 2004. No amicable settlement was however reached. Thus, Solid Corporation filed for a Petition for Higher Valuation of Land before the Provincial Agrarian Reform Adjudication Board of the Department of Agrarian Reform in Cabanatuan City on November 18, 2007. The Department of Agrarian Reform granted Solid Corporation's petition and ordered Land Bank to re-evaluate the land valuation based only on Republic Act No. 6657 (The Comprehensive Agrarian Reform Program) on September 28, 2012. Land Bank amended the valuation and tendered an Amended Offer of P14.97 million to Solid Corporation (or Solid Manila Corporation, the surviving company after the merger of Solid Manila Corporation and Solid Corporation). Solid Manila Corporation has applied for an amended valuation for Php 16.4 Million Pesos. Solid Manila Corporation is complying the documentation requirements as of April 2016.

2. Solid Manila Corporation also owns a property in Pililla, Rizal with a land area of 645,193 square meters. The Department of Agrarian Reform has informed Solid Manila Corporation that this property is within the coverage of the Comprehensive Agrarian Reform Law which may result in future litigation. Portion of the property that may be subject to future litigation consists of 210,000 square meters. Solid Manila Corporation has filed its opposition with the Provincial Agrarian Reform Adjudication Board

(PARAB) on the coverage of the land under agrarian reform. On August 13, 1997, Solid Manila Corporation obtained a certification from the Office of the Municipal Planning and Development Coordinator (Pililla, Rizal) stating that the subject properties belonging to Solid Manila Corporation was reclassified for Agro-industrial & Industrial use as per Sangguniang Bayan Resolution No. 5 dated March 6, 1980 and duly ratified by the government's Housing & Land Use Regulatory Board (HLURB) under their Resolution No. R-42-A-3 series of 1981, which was adopted on February 11, 1981. Thus, according to company's legal counsel, the said properties are exempt from CARP coverage under the provisions of Department of Justice opinion No. 44. The Company's legal counsel believes that the Board will declare the CARP coverage of the subject properties void since Solid Manila Corporation was clearly denied due process of law. In the meantime, Solid Manila Corporation filed for exemption in January 14, 1999 and said application has been indorsed to Center for Land Use Policy Planning Implementation (CLUPPI) -2 DAR Bureau of Agrarian Legal Affairs on March 8, 1999. Solid Manila Corporation's application for exemption was however subsequently withdrawn. In lieu of the withdrawal, Solid Manila Corporation filed a Protest before the Department of Agrarian Reforms on the Notice of Coverage for TCT Nos. 25264, 25265, 25267 , 26578 and 25268. It likewise filed a Petition for Higher Valuation before the Provincial Agrarian Reform Adjudication Board last June 24, 2009 on the lot covered by TCT 25264 which is pending resolution as of April 2016. Solid Manila Corp. was able to secure a retention on the Pillilia lot covered by TCT No. 25265 while the remaining area of around 3 hectares more or less was subjected to the Voluntary Land Transfer Program of the Dept. of Agrarian Reform to the Solid Manila Corporation's recognized farmers-beneficiaries. The Pillilia lots covered by TCT Nos. 25267, 25264 and TCT No. 25268 were likewise subjected to the Voluntary Land Transfer Program by the Dept. of Agrarian Reforms and distributed to the recognized farmer-beneficiaries of Solid Manila Corp. On the Pillilia lot covered by TCT No. 26578, the Regional Director of the Department of Agrarian Reform granted our petition for exemption for TCT No. 26578 on January 30, 2012.

3. There are two other cases involving certain properties of Solid Manila Corporation. Its titles to the Balintawak, Quezon City property with land area of 31,423 square meters, currently used as a service center and office building, are sought to be annulled in a civil action filed on 25th September, 1990, with the Regional Trial Court Branch 120 on the ground that another title covers the same area claimed by Lilia Sevilla et.al. On July 14, 1995, the in-house counsel assumed the case. On January 20, 2003, the RTC Branch 120 rendered a decision in favor of Lilia Sevilla annulling seven titles of Solid Manila Corporation to wit-- TCT Nos. 12729 up to 12736._SMC filed an appeal with the Court of Appeals. The Company's legal counsel believes that the titles of Solid Manila Corporation will prevail over those of the claimants on the grounds that the titles of the claimants are being sought to be nullified and voided by the government itself. The government's case filed by the Land Registration Authority (which is represented by the Office of the Solicitor General) before the Regional Trial Court (RTC) Branch 122 was for the annulment of claimant's title. Solid Manila Corporation filed an intervention in the government's case despite opposition by Lilia Sevilla et.al. The Court allowed Solid Manila Corporation to intervene in the government's case. Pending the incident of other third party intervenors, the Department of Justice recommended the dismissal of the Register of Deeds (ROD) and Deputy ROD of Caloocan based on inquiry of the antecedent facts of the case. In November 2000, the RTC Branch 122 rendered a decision in favor of the government, thus nullifying the land titles of Lilia Sevilla et. al., who subsequently appealed the decision of RTC Branch 122 to the Court of Appeals. SMC consolidated these cases as of February 2004. Lilia Sevilla et. al. filed a motion for reconsideration to the Court of Appeals' order consolidating these cases. The Court of

Appeals had received the memoranda of the respective parties of Lilia Sevilia, the Government and Solid Manila Corp. and had raffled the case to another division for the promulgation of the decision. On May 5, 2014, a Decision was rendered by the Court of Appeals in Lilia Sevilla vs, Solid Manila Corp. in CA-GR No. 77750 granting Solid Manila Corp.'s appeal, nullifying TCT No. 30374 registered in the name of Lilia Sevilla and validating Solid Manila Corp. titles specifically TCT Nos. 172729, 12730, 12731, 12731, 12733, 12734, 12735 and 12736. The Decision of the Court of Appeals had become final and executory on October 9, 2014 pursuant to an Entry of Judgment issued by the Court of Appeals.

The Company believes that the outcome of these cases, 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.

Certain Relationships and Related Transactions

Solid Video Corporation (SVC) earns commission from sales of Solid Trading Limited (STL), a company owned by SGI's majority stockholders, to customers in the Philippines. SVC also collects the receivables related to the sales of STL which are payable immediately upon receipt.

My Solid purchases mobile phones from STL. My Solid also made advance payments to STL for its future purchase of mobile phones.

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

Solid Manila Corporation leases out certain land and buildings to Avid Sales Corporation. Also, Solid Electronics Corp. leases out its office space to CPD and Avid.

Revenue from sale of goods and services are recorded as part of revenues and the related outstanding receivables are recorded as part of Trade and Other Receivables

Solid Electronics Corp. purchases parts and supplies from CPD, a company also owned by the Company's ultimate majority stockholders.

Advances to and from Related Parties

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

Brilliant Reach Limited granted an unsecured, interest-bearing loan denominated in Chinese Yuan Renminbi to Solid Company Limited amounting to P120.8 million in 2008 which will mature on March 1, 2011. The loan bears an annual interest of 6% payable annually with any unpaid interest compounded annually at the same rate of the principal amount. In 2009, the parties agreed to amend the loan agreement reducing the annual interest rate to 4% and making the loan payable in US dollars. In 2011, the parties agreed to increase the annual rate to 5% and extend the maturity date for another date. In 2014, the parties agreed to further extend the term of the loan to March 31, 2015. Interest rate was maintained at 5%. In 2015, all of the loan receivable has been collected which has been used to partially pay the loan obtained from Bank of Singapore.

In 2011, Fil-Dragon Real Estate Development, Ltd. (Fil-Dragon) obtained loans from companies that are owned by Solid Company Limited (Hongkong). The liability is unsecured and payable on demand.

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.

Resignation of Directors

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

Compensation of Directors and Executive Officer

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 Emeritus and each of the Company's four most highly compensated executive officers.

		Annual Compensation		
(a)	(b)	(c)	(d)	(e)
Name and Principal Position	Year	Salary (₱)	Bonus (₱)	Other Annual Compensation Income (₱)
Chairman and four most highly compensated executive officers				
Susan L. Tan	Chairman of the Board			
David S. Lim	Director, President and Chief Executive Officer			
Jason S. Lim	Director, Senior VP and Chief Operating Officer			
Vincent S. Lim	Director, Senior VP and Chief Financial Officer			
Lita Joaquin	VP and Treasurer			
	2016 (Est.)	20,000,000	3,500,000	1,500,000
	2015	16,800,000	2,960,429	1,354,482
	2014	16,730,000	2,993,093	1,296,046
All officers and directors as a	2016 (Est.)	6,000,000	1,200,000	1,400,000

group unnamed	2015	5,400,00	937,638	1,187,867
	2014	5,141,000	988,616	846,235

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

Chairman:	David S. Lim
Vice Chairman:	Jason S. Lim
Members:	Quintin W. Chua (Ind. Director)
	Vincent S. Lim

Standard Arrangements, Employment Contracts and Termination of Employment and Change-in-Control Arrangements.

There are no employment contracts between the registrant and executive officers/directors nor any compensatory plan or arrangement, including payments to be received from the Registrant, except that directors receive a per diem of Php 30,000 for each meeting actually attended.

There is also no existing plan or arrangement as a result of the resignation, retirement or any other termination of an executive officer or director's employment with the Registrant and its subsidiaries or from a change-in-control of the Registrant or a change in the executive officer or directors' responsibilities following a change-in-control.

Warrants and Options Outstanding; Repricing

The Company has no outstanding warrants and options.

Independent Public Accountants

The independent public accountant recommended for re-appointment for the current year is Punongbayan & Araullo ("P&A"). P&A was the auditor for the previous fiscal year ended 2015. There were no disagreements with P&A on any matter of accounting principle or practice, or financial disclosure.

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

The 2015 audit of the Company by P&A is in compliance with SRC Rule 68(3)(b)(iv) which provides that the audit partner-in-charge of the external auditor should be rotated every five (5) years or earlier. Beginning audit year 2011 until the audit year 2015, Ms. Mailene Sigue-Bisnar has been designated as audit partner-in-charge. For audit year 2016, the new audit partner-in-charge Ms. Sheryl G. Llovido. A two-year cooling off period shall be observed in the re-engagement of the same signing partner or individual.

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

Chairman:	Maria G. Goolsby (Independent Director)
Vice Chairman:	Vincent S. Lim
Members:	Susan L. Tan

Mellina T. Corpuz (non-director)
Quintin W. Chua (Independent Director)

Audited Financial Statements

Attached as Exhibit 2 is a copy of the Company's audited financial statements for the year ended December 31, 2015.

Interim Financial Statements

Attached as Exhibit 3 is a copy of the Company's SEC Form 17-Q for the first quarter of 2016 ended March 31, 2016. The Company's SEC Form 17-Q contains the company's financial statements for the first quarter of 2016 ended March 31, 2016.

D. OTHER MATTERS

Action with Respect to Reports:

The 2015 Audited Financial Statements, as set forth in the accompanying Management Report, and the Minutes of the Annual Stockholders' Meeting will be submitted for stockholder's approval. Copies of the Management Report are attached to this Information Statement.

Approval of the Minutes of the Annual Stockholders' Meeting held on June 25, 2015 constitutes a ratification of the accuracy and faithfulness of the Minutes to the events which transpired during the meeting which includes the following: (i) approval of minutes of the previous meeting; (ii) approval of the annual report and 2014 audited financial statements; (iii) ratification of management's acts; (iv) amendment of the third article of the articles of incorporation to specify the address of the principal place of office; (v) election of directors; and (vi) appointment of external auditors. This does not constitute a second approval of the same matters taken up at the previous annual stockholders' meeting which had already been approved.

The acts and resolutions of the Board and Management for ratification by the stockholders include the following:

Date of Board Meeting	Resolutions Passed/Matters Approved
June 25, 2015	Election of the following officers: 1. Elena S. Lim – Chairman Emeritus; 2. Susan L. Tan – Chairman; 3. David S. Lim – President and Chief Executive Officer; 4. Jason S. Lim – Senior Vice President & Chief Operating Officer; 5. Vincent S. Lim – Senior Vice President & Chief Finance Officer; 6. Lita L. Joaquin – Vice President & Treasurer; 7. Roberto V. San Jose – Corporate Secretary; 8. Ana Maria A. Katigbak – Assistance Corporate Secretary; 9. Mellina T. Corpuz – Vice President & Chief Accounting Officer; 10. Beda T. Mañalac – Vice President for Business Development; 11. Josephine T. Santiago – Chief Information Officer.

	Designation of Mellina T. Corpuz, Josephine T. Santiago and Annabella Orbe as the Corporation's Corporate Information Officers Appointment of the following members of Committees: A. Audit Committee 1. Maria G. Goolsby – Chairman (Independent Director 2. Vincent S. Lim – Vice Chairman 3. Susan L. Tan – Member 4. Mellina T. Corpuz – Member 5. Quintin Q. Chua – Member (Independent Director) B. Corporate Governance & Nominations Committee 1. Vincent S. Lim – Chairman 2. Susan L. Tan – Vice Chairman 3. Quintin Q. Chua – Member (Independent Director) 4. Mellina T. Corpuz - Member C. Compensation or Remuneration Committee 1. David S. Lim – Chairman 2. Jason S. Lim – Vice Chairman 3. Quintin Chua – Member (Independent Director) 4. Vincent S. Lim – Member D. Risk Management Committee 1. Quintin W. Chua – Chairman (Independent Director) 2. Susan L. Tan – Vice Chairman 3. Jason S. Lim – Member 4. Vincent S. Lim – Member 5. Beda T. Mañalac - Member
August 7, 2015	Approval of the issuance of the Corporation's financial statements as of and for the first semester of 2015 ending June 30, 2015, subject to final adjustments to be made or undertaken by the external auditors of the Corporation Approval of the declaration of cash dividend of PhP0.06 per share out of the unrestricted retained earnings as of December 31, 2014, in favor of holders of common shares as of the Record Date August 28, 2015, and payable on or before September 23, 2015 Approval of additional subscription of the Corporation to 705,991 shares out of the unissued capital stock of My Solid Technologies and Devices Corporation at a par value of PhP100.00 per share, or a total amount of PhP70,599,100.00 Approval of the opening of bank account with Philippine Savings Bank
November 10, 2015	Approval of the issuance of the Corporation's unaudited financial statements as of and for the third quarter of 2015 ending

	September 30, 2015
March 28, 2016	Approval of the issuance of the Corporation's unaudited financial statements for the period ending December 31, 2015 Approval of the holding of the annual stockholders' meeting on June 30, 2016 at 3:00 p.m. at the Soma, Ground Floor, Green Sun, 2285 Don Chino Roces Avenue Extension, Makati Approval of the record date for the annual stockholders' meeting of May 31, 2016 Authorization to the President to postpone and reset the date/and/or time of the annual stockholders' meeting, and/or to change the venue, as may be necessary Approval of the Annual Corporate Governance Report (ACGR) for 2015

Voting Procedure:

For the election of directors, the nine (9) nominees receiving the most number of votes will be elected to the Board of Directors. Cumulative voting will apply.

For all other matters to be taken up, the approval of stockholders owning at least a majority of the outstanding capital stock shall be sufficient.

Voting shall be done *viva voce* or by raising of hands and the votes for or against the matter submitted shall be tallied by the Corporate Secretary in case of a division of the house.

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

ALL REQUESTS MAY BE SENT TO THE FOLLOWING ADDRESS:

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

Attention: Ms. Meline Corpuz

SIGNATURES

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in Makati City on May 18, 2016.

Solid Group, Inc.

By:

Ana Maria A. Katigbak
Asst. Corporate Secretary

Exhibit 1
Certification on the connections of the Company's directors and officers with any government agencies or instrumentalities

Exhibit 2
The Company's audited financial statements for the year ended December 31, 2015

Exhibit 3
The Company's SEC Form 17-Q

SOLID GROUP INC.

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

For the 2016 Annual Stockholders' Meeting

A. Audited Financial Statements for Fiscal Year Ended December 31, 2015

Please refer to the accompanying audited financial statements for year ended December 31, 2015 and first quarter report on SEC Form 17Q for the quarter ended March 31, 2016.

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

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

On June 25, 2015, the Company reappointed Punongbayan and Araullo as its external auditors for the year 2015.

There was no change in our existing auditor for the years 2014 and 2015. The Company is in compliance with the Code of Corporate Governance and SEC Memorandum Circular No. 2, series of 2002 requiring the rotation every five (5) years of the audit partner-in-charge of the external auditor.

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

Full Fiscal Years

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

(1) Plan of Operation

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

(2) Management's Discussion and Analysis

a. 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 2015, 2014 and 2013 are as follows:

	December 31, 2015	December 31, 2014	December 31, 2013
Revenue growth	29%	18%	(13%)
Asset turnover	50%	37%	32%
Operating expense ratio	14%	19%	17%
EBITDA	P967 million	(P105.61 million)	P225 million
Earnings (loss) / share	P0.27	(P0.07)	P0.09
Current ratio	4.34:1	2.31:1	2.60:1
Debt to equity ratio	0.22:1	0.44:1	0.39:1

2015

Revenues grew by 29% in 2015 vs. 18% in 2014. The increase was contributed by the property and building services, technical support and solutions and investment and other business segments. The Company's Golden Hill project in China realized the real estate sales in 2015 which included the customers' deposit in prior years after the property ownership certificate was issued to buyers in 2015.

Asset turnover stood higher at 50% in 2015 from 37% in 2014 mainly as a result of higher revenues of the property & building services, technical support and solutions and investment and others segments.

Operating expense ratio stood at 14% and 19% for 2015 and 2014, respectively due to lower operating expenses of the digital mobile devices and property and building services segments.

EBITDA amounted to P967 million in 2015 against negative P105.61 million in 2014. The increase was mainly due to income of the property & building services segment from the earnings of the Golden Hill project in China and sale of the Balintawak property.

Earnings per share amounted to P0.27 in 2015 versus loss per share of P0.07 in 2014 mainly due to net income for the period mainly from the property & building services segment.

Current ratio stood at 4.34:1 as of December 31, 2015 and 2.31:1 as of December 31, 2014 mainly due to lower current liabilities.

Debt to equity ratio stood at 0.22:1 as of December 31, 2015 from 0.44: 1 as of December 31, 2014 primarily due to lower liabilities and higher equity.

2014

Revenue increased by 18% in 2014 vs. 13% decrease in 2013 principally due to higher revenues of the digital mobile devices segment on digital product sales.

Asset turnover stood higher at 37% in 2014 from 32% in 2013 mainly as a result of higher revenues of the digital mobile devices segment on the digital product sales.

Operating expense ratio was 19% and 17% for 2014 and 2013, respectively due to higher operating expenses of the digital mobile devices and property & building services segments.

EBITDA amounted to a negative P105.61 million in 2014 against P225 million in 2013. The decrease was mainly due to losses of the digital mobile devices and property & building services segments.

Loss per share amounted to P0.07 in 2014 versus P0.09 in 2013 mainly due to net loss for the period. The digital mobile devices segment suffered loss in 2014 principally from lower gross margin due to stiff market competition and higher expenses for the period. On the other hand, the property & building services segment also incurred losses due to interest and other costs of the Golden Hill project.

Current ratio stood lower at 2.31:1 as of December 31, 2014 and 2.60:1 as of December 31, 2013 mainly due to lower current assets.

Debt to equity ratio stood at 0.44:1 as of December 31, 2014 from 0.39: 1 as of December 31, 2013 primarily due to higher liabilities and lower equity.

2013

Revenue declined by 13% in 2013 vs. 18% increase in 2012 principally due to lower revenues of the digital mobile devices segment on digital product sales and lower broadband revenues due to sale of its assets in May 2012.

Asset turnover stood lower at 32% in 2013 from 40% in 2012 mainly as a result of lower revenues of the digital mobile devices segment on the digital product sales.

Operating expense ratio was 17% and 15% for 2013 and 2012, respectively due to higher selling and distribution expenses of the digital mobile devices segment and lower revenues for the period.

EBITDA amounted to P225 million in 2013 against P1,565 million in 2012. The decrease was mainly due to low operating profit for the period.

Earnings per share amounted to P0.09 in 2013 versus P0.68 in 2012 (P0.32 excluding the one-time gain from broadband asset sale in 2012) mainly from lower net income. The digital mobile devices segment suffered a loss in 2013 principally from lower revenues and margins due to stiff market competition.

Current ratio stood lower at 2.60:1 as of December 31, 2013 and 3.14:1 as of December 31, 2012 mainly due to higher current liabilities.

Debt to equity ratio stood at 0.39: 1 as of December 31, 2013 from 0.33: 1 as of December 31, 2012 primarily due to higher liabilities.

Results of Operations 2015

Revenues grew by 29% in 2015 reaching P6,460 million from P4,997 million in 2014. The increase was contributed by the property and building services, technical support and solutions and investment and other business segments. The Company's Golden Hill project in China realized the real estate sales in 2015 which included the customers' deposit in prior years after the property ownership certificate was issued to buyers in 2015.

Sale of goods amounting to P3,952 million in 2015 was lower by 9% from P4,337 million in 2014 due to lower revenues of the digital mobile devices segment on digital product sales. Units sold on digital mobile devices were higher by 10%. However, average selling price was lower as it sold its old stocks.

Rendering of services amounted to P532 million in 2015 from P453 million in 2014 due to higher revenues from hotel and various events of Green Sun of the property and building services segment and higher revenues from warehousing and distribution and product testing of the technical support and solutions business segment.

Rental income amounted to P146 million in 2015 from P150 million in 2014 due to lower occupancy.

Sale of real estate amounted to P1,788 million in 2015, up by 6,213% from P28 million in 2014 principally due to sale of completed properties of the Golden Hill project in China. The Company realized the real estate sales in 2015 which included the customers' deposit in prior years after the property ownership certificate was issued to buyers in 2015.

Interest income amounted to P41 million in 2015, higher by 54% from P27 million in 2014 mainly from higher yield on placements.

Cost of sales, services, real estate sold and rentals amounted to P5,020 million for 2015, or an increase of 17% from P4,287 million in 2014 as discussed below.

Cost of sales amounted to P3,577 million for 2015, lower by 7%, from P3,854 million for 2014 in relation to decrease in sales.

Cost of services amounted to P460 million for 2015 from P374 million for 2014, up by 23% mainly in relation to higher service revenue.

Cost of rentals amounted to P57 million for 2015 from P35 million in 2014, higher by 59% in relation to higher taxes and licenses.

Cost of real estate sales amounted to P925 million for 2015 from P22 million for 2014 mainly in relation to higher sale of real estate.

Gross profit amounted to P1,440 million for 2015 from P710 million in 2014. Gross profit improved mainly from higher real estate sales.

Other operating expenses (income) amounted to P633 million for 2015 from P846 million in 2014 as explained below.

Selling and distribution costs amounted to P559 million in 2015 from P552 million in 2014. There was no material change for this account.

General and administrative expenses amounted to P336 million for 2015 from P379 million in 2014 primarily due to recognition of penalties for late delivery of property document for the Golden Hill project in 2014 (none in 2015).

Other operating income - net amounted to P263 million income in 2015, up by 205% from P86 million income in 2014 principally from gain on sale of investment property and fair value gains on investment property of the property and building services segment.

Operating profit (loss) amounted to P806 million operating profit for 2015 from P135 million operating loss in 2014, a significant improvement of 694% mainly from income of the property and building services segment.

Other income (charges) amounted to P25 million other income for 2015 against P75 million loss in 2014 mainly from the following:

Finance costs decreased to P77 million for 2015 compared with P112 million in 2014 mainly from lower impairment losses on trade and other receivables and foreign exchange losses.

Finance income amounted to P89 million for 2015 compared with P33 million in 2014 mainly due to higher yield on placements and higher principal investment; higher foreign currency gains of the digital mobile devices and investment and other business segments and, gain on settlement or receivables of the property and building services segment.

Share in net loss of an associate of P3 million in 2015 from nil in 2014 due to net loss of Creative Hothouse Manila for the period.

Other gains – net was P16 million for 2015, improved by 404% from P3 million charges in 2014 principally from gain on sale of property and equipment and net interest income on retirement benefit asset.

Profit before tax was P832 million for 2015, an increase of 493% from P211 million loss before tax in 2014 as discussed above.

Tax expense (income) amounted to P159 million income for 2015 from P22 million income in 2014 mainly due to higher provision of current tax expense from Balintawak property sale and tax expense for real estate sale in China.

Net income amounted to P672 million for 2015 against P188 million net loss in 2014 due to the factors as discussed above.

Net income attributable to equity holders of the parent amounted to P486 million for 2015 against P121 million net loss to 2014 as discussed above. Net income improved mainly due to share in net income in Golden Hill project in China and gain on sale of Balintawak property.

Net income attributable to minority interest amounted to P186 million for 2015 from P67 million net loss in 2014, an increase of 375% primarily due to reported income from sale of property of the Golden Hill project in Nanning, China.

<u>Financial Position 2015</u>

Cash and cash equivalents amounted to P2,576 million as of December 31, 2015, up by 58% from P1,623 million as of December 31, 2014. Cash was from investing activities mainly from the sale of investment property and redemption of FAFVTPL; and, mainly used for financing activities for payment of interest-bearing loans.

Financial assets at fair value through profit or loss amounted to P123 million as of December 31, 2015, down by 83% from P746 million as of December 31, 2014 from termination of certain unit investments in trust funds.

Trade and other receivables reached P1,278 million as of December 31, 2015 against P1,438 million as of December 31, 2014. Overall, there was no material change for this account. Loans receivables went down to P45 million from P195 million from collection of loans. On the other hand, trade receivables was higher by 24% mostly from higher receivable of the digital mobile devices and property and building services segments. Trade customers are generally established and stable companies with reasonable assurance of collectability of their accounts. Nonetheless, trade accounts are periodically reviewed to assess the possible losses from non-collection and allowance is provided for possible losses on accounts which are considered doubtful of collection.

Advances to related parties amounted to P1 million as of December 31, 2015 and P28 million as of December 31, 2014, a decrease of 94% due to collection of advances.

Merchandise inventories and supplies - net amounted to P866 million as of December 31, 2015, compared with P594 million as of December 31, 2014 mainly due to buildup of inventories of the myPhone business.

Real estate inventories amounted to P1,647 million as of December 31, 2015 and P2,371 million as of December 31, 2014. The decrease was mainly due to real estate sold by Fil-Dragon and Starworld.

Other current assets amounted to P471 million as of December 31, 2015 compared with P574 million as of December 31, 2014, a decrease of 18% due to lower prepayments and creditable withholding taxes which was applied to the provision for current taxes.

Total current assets reached P6,964 million as of December 31, 2015 from P7,377 million as of December 31, 2014 mainly from lower real estate inventories as a result of the real estate sale.

Non-current trade and other receivables amounted to P601 million as of December 31, 2015 from P582 million as of December 31, 2014 from increase in cash surrender value of investment in life insurance and offset by collection of loan receivables.

Non-current available-for-sale financial assets amounted to P13 million as of December 31, 2015 from P9 million as of December 31, 2014 due to increase in club shares.

Property, plant and equipment amounted to P1,815 million as of December 31, 2015 from P1,739 million as of December 31, 2014. There was no material change for this account.

Investment property decreased to P2,653 million as of December 31, 2015 from P3,653 as of December 31, 2014 mainly due to sale of Balintawak property.

Retirement benefit assets amounted to P117 million as of December 31, 2015 and P123 million as of December 31, 2014. There was no material change for this account.

Deferred tax assets - net amounted to P166 million as of December 31, 2015 and P127 million as of December 31, 2014, an increase of 30% principally due to recognition of deferred tax assets on NOLCO and MCIT offset by allowance for inventory obsolescence.

Other non-current assets amounted to P29 million as of December 31, 2015, or a decrease of 33% from P44 million as of December 31, 2014 primarily due to lower deferred input VAT.

Total non-current assets amounted to P5,396 million as of December 31, 2015 from P6,279 million as of December 31, 2014 as discussed above mainly from lower investment property.

Total assets reached P 12,361 million as of December 31, 2015 from P13,657 million as of December 31, 2014 as discussed above.

Interest-bearing loans amounted to P257 million as of December 31, 2015 from P844 million as of December 31, 2014, lower by 69% due to loan repayment for the period.

Trade and other payables amounted to P636 million as of December 31, 2015 against P732 million as of December 31, 2014, lower by 13% mainly due to lower trade payables, accrued expenses and advances from customers.

Customers' deposits amounted to P550 million as of December 31, 2015 versus P1,502 million as of December 31, 2014. The decrease was due to recognition of revenue by Fil-Dragon.

Advances from related parties amounted to P73 million as of December 31, 2015, an increase of 98% from P36 million as of December 31, 2014 due to additional advances.

Estimated liability for land and land development costs amounted to P 68 million as of December 31, 2015 and December 31, 2014.

Income tax payable amounted to P19 million as of December 31, 2015 from P9 million as of December 31, 2014, mainly due to higher provision for income taxes of certain subsidiaries.

Total current liabilities stood at P1,606 million as of December 31, 2015 from P3,193 million as of December 31, 2014 as explained above.

Non-current refundable deposits amounted to P19 million as of December 31, 2015 from P13 million as of December 31, 2014 from additional deposits received.

Retirement benefit obligation amounted to P19 million as of December 31, 2015 and P20 million as of December 31, 2014. This represents the unfunded retirement obligation of certain subsidiaries.

Deferred tax liabilities - net amounted to P647 million as of December 31, 2015 and P938 million as of December 31, 2014, a decrease of 30% due to reversal of deferred tax liabilities as certain properties were sold.

Total non-current liabilities amounted to P686 million as of December 31, 2015 from P972 million as of December 31, 2014 as explained above.

Total liabilities amounted to P2,292 million as of December 31, 2015 from P4,166 million as of December 31, 2014.

Capital stock stood at P2,030 million as of December 31, 2015 and December 31, 2014.

Additional paid-in capital amounted to P4,641 million as of December 31, 2015 and December 31, 2014.

Treasury shares amounted to P115 million as of December 31, 2015 and December 31, 2014.

Revaluation reserves amounted to P35 million gain as of December 31, 2015 from P21 million gain as of December 31, 2014 due to currency differences in translating financial statements of foreign operation.

Retained earnings amounted to P2,967 million as of December 31, 2015 from P2,590 million as of December 31, 2014 as a result of net income during the period.

Total equity attributable to Equity holders of Parent amounted to P9,559 million as of December 31, 2015 from P9,168 million as of December 31, 2014 mainly due to higher retained earnings.

Minority interest amounted to P508 million as of December 31, 2015 and P322 million as of December 31, 2014 primarily due to reported income reported by Golden Hill project in Nanning, China.

Total equity amounted to P10,068 million as of December 31, 2015 from P9,491 million as of December 31, 2014.

Results of Operations 2014

The Company reported higher revenues by 18% in 2014 reaching P4,997 million from P4,233 million in 2013 principally from improved revenues of the digital mobile devices segment from sale of digital products.

Sale of goods amounted to P4,337 million in 2014, higher by 23% from P3,513 million for the same period in 2013 mainly due higher volume of sales of the digital products.

Service revenue went up to P453 million in 2014, higher by 9% from P414 million in 2013 mainly due to higher warranty income and tolling fees of the technical support and solutions segment.

Rental income amounted to P150 million in 2014 compared to P151 million in 2013. There was no material change for this account.

Sale of real estate amounted to P28 million in 2014, down by 75% from P113 million in 2013. This was principally due to lower condominium sales.

Interest income amounted to P27 million in 2014, lower by 31% from P39 million in 2013 mainly from lower yield on placements as compared with previous year and lower principal amount since the Company transferred certain placements under Unit Investments in Trust Funds classified under Financial Assets at Fair Value Through Profit or Loss (FAFVTPL).

Cost of sales, services and rentals amounted to P4,287 million in 2014, or an increase of 25% from P3,421 million in 2013 as discussed below.

Cost of sales amounted to P3,854 million in 2014, higher by 29%, from P2,983 million last year principally in relation to the increase in sales.

Cost of services amounted to P374 million in 2014 from P332 million in 2013, up by 12% mainly in relation to higher service revenue for the period.

Cost of rentals amounted to P35 million in 2014 and P34 million 2013. There was no material change for this account.

Cost of real estate sold amounted to P22 million in 2014, down by 68% from P70 million for the same period of 2013. The decrease was mainly in relation to lower sale of real estate.

Gross profit amounted to P710 million in 2014 from P811 million in 2013. The 12% decrease was principally due to lower margin of the digital mobile devices segment driven by stiff market competition.

Other operating expenses (income) amounted to P846 million in 2014 against P686 million in 2013 as explained below.

Selling and distribution costs amounted to P552 million in 2014, up by 22% from P451 million in 2013 mainly from higher commission and incentives of the digital mobile devices segment.

General and administrative expenses amounted to P379 million in 2014 from P288 million in 2013. The increase of 31% was mainly due to higher taxes and licenses, personnel costs, property certificate charges and donation expenses to Typhoon Yolanda hit areas.

Other operating income amounted to P86 million in 2014 from P53 million in 2013, up by 61% mainly from higher fair value gains on investment property and reversal of warranty provision.

Operating loss for 2014 amounted to P135 million from P125 million operating profit in 2013. The decline was attributable to the losses of the digital mobile devices and property and building services segments.

Other income (charges) amounted to P75 million loss in 2014 against P64 million gain in 2013 mainly from the following:

Finance income was lower at P33 million in 2014 against P62 million for the same period of last year principally due to lower interest income from bank placements as a result of lower interest rates and lower foreign currency gains.

Finance costs increased to P112 million in 2014 compared with P20 million in 2013 primarily due to higher interest expense from interest-bearing loans (in 2013, interest cost for the Golden Hill project was capitalized as part of property development cost) and higher impairment losses on trade and other receivables.

Other gains was P3 million in 2014 versus P22 million in 2013 primarily due to lower gain on derecognition of liabilities.

Loss before tax dropped to P211 million in 2014, decreasing by 211% from P190 million income for the same period in 2013 mainly due to operating loss as explained above.

Tax expense (income) amounted to P22 million income in 2014 from P44 million expense in 2013 due to deferred tax income from net operating loss carryover and impairment losses of the digital mobile devices segment.

Net loss amounted to P188 million in 2014 against P145 million income in 2013 due to the reported losses of the digital mobile devices and property and building services segments and lower operating results of technical support and solutions segment.

Net loss attributable to equity holders of the parent amounted to P121 million in 2014 against P157 million net income in 2013 as discussed above.

Net loss attributable to minority interest amounted to P67 million in 2014 compared with P12 million loss in 2013 primarily due to higher reported losses of the Golden Hill project in Nanning, China.

Financial Position 2014

Cash and cash equivalents amounted to P 1,623 million as of December 31, 2014 down by 30% from P2,327 million as of December 31, 2013. Cash was mostly used for investing activities mainly for increase of FAFVTPL and additions to property and equipment, for operating activities mainly for increase in trade and other receivables.

Financial assets at fair value through profit or loss amounted to P746 million in 2014 and P 294 million in 2013, or an increase of 153% from acquisition of unit investments in trust funds.

Trade and other receivables reached P1,438 million as of December 31, 2014 against P1,132 million as of December 31, 2013, or an increase of 26% mainly due higher trade receivables of the digital mobile devices segment. Trade customers are generally established and stable companies with reasonable assurance of collectability of their accounts. Nonetheless, trade accounts are periodically reviewed to assess the possible losses from non-collection and allowance is provided for possible losses on accounts which are considered doubtful of collection.

Advances to related parties amounted to P28 million as of December 31, 2014 and P24 million as of December 31, 2013, an increase of 17% due to additional advances.

Merchandise inventories and supplies - net amounted to P594 million as of December 31, 2014, compared with P844 million as of December 31, 2013, a decrease of 29% mainly from lower merchandise and finished goods for digital products of the digital mobile devices segment.

Real estate inventories amounted to P2,371 million as of December 31, 2014 from P2,423 million as of December 31, 2013. There was no material change for this account.

Other current assets amounted to P 574 million as of December 31, 2014 compared with P425 million as of December 31, 2013, an increase of 34 % due to higher prepayments and creditable withholding taxes.

Total current assets reached P 7,377 million as of December 31, 2014 from P7,472 million as of December 31, 2013 mainly from higher FAFVTPL and trade and other receivables as discussed above.

Non-current trade and other receivables amounted to P582 million as of December 31, 2014 from P722 million as of December 31, 2013, lower by 19% due to the reclassification of currently maturing receivables to current assets.

Non-current available-for-sale financial assets stood at P9 million as of December 31, 20134 against P7 million as of December 31, 2013. The increase was due to higher club shares.

Property, plant and equipment amounted to P1,739 million as of December 31, 2014 from P1,560 million as of December 31, 2013, an increase of 11% mainly due to transfer from investment property and additions for the Green Sun.

Investment property was higher at P3,653 million as of December 31, 2014 from P3,648 as of December 31, 2013 principally due fair value gains on investment property.

Retirement benefit assets amounted to P123 million as of December 31, 2014, an increase of 49% from P82 million December 31, 2013 due to higher fair value of plan assets sans the effect of asset ceiling in 2013, nil in 2014.

Deferred tax assets - net amounted to P127 million as of December 31, 2014 and P77 million as of December 31, 2013. There was a 63% increase principally due to future tax benefits on net operating loss carryover, allowance for impairment losses and MCIT of the distribution segment.

Other non-current assets amounted to P44 million as of December 31, 2014 or an increase of 34% from P32 million as of December 31, 2013 primarily due to higher deferred input VAT.

Total non-current assets amounted to P6,279 million as of December 31, 2013 from P6,131 million as of December 31, 2013 as discussed above.

Total assets reached P13,657 million as of December 31, 2014 from P13,604 million as of December 31, 2013 as discussed above.

Interest-bearing loans amounted to P844 million as of December 31, 2014 from P684 million as of December 31, 2013, up by 23% due to additional loans for the Golden Hill project.

Trade and other payables amounted to P732 million as of December 31, 2014 against P731 million as of December 31, 2013. There was no material change for this account.

Customers' deposits amounted to P1,502 million as of December 31, 2014 versus P1,306 million as of December 31, 2013. The increase of 15% was mainly due to additional deposits received from the Golden Hill project.

Advances from related parties amounted to P36 million as of December 31, 2014, a decrease of 54% from P81 million as of December 31, 2013 due to repayment of advances made for the year.

Estimated liability for land and land development costs amounted to P 68 million as of December 31, 2014 and December 31, 2013.

Income tax payable amounted to P9 million as of December 31, 2014 from P4 million as of December 31, 2013 mainly due to provision for income tax for certain subsidiaries.

Total current liabilities stood at P3,193 million as of December 31, 2014, higher by 11% from P2,875 million as of December 31, 2013 as explained above mainly due to higher interest-bearing loans, customers' deposits and income tax payable.

Non-current refundable deposits amounted to P13 million as of December 31, 2014 from P15 million as of December 31, 2013 due to the reclassification of certain deposits to current liabilities**.**

Retirement benefit obligation amounted to P20 million as of December 31, 2014 and P26 million as of December 31, 2013 principally due to remeasurements made during the year.

Deferred tax liabilities -net amounted to P938 as of December 31, 2014 and P935 million in December 31, 2013. There was no material variance for this account.

Total non-current liabilities amounted to P972 million as of December 31, 2014 from P976 million as of December 31, 2013.

Total liabilities amounted to P4,166 million as of December 31, 2014 from P3,852 million as of December 31, 2013.

Capital stock stood at P2,030 million as of December 31, 2014 and December 31, 2013.

Additional paid-in capital amounted to P4,641 million as of December 31, 2014 and December 31, 2013.

Treasury shares amounted to P115 million as of December 31, 2014 and December 31, 2013.

Revaluation reserves amounted to P21 million income as of December 31, 2014 from P16 million loss as of December 31, 2013 due to other comprehensive income for the period consisting of actuarial gains offset by currency differences on translating financial statements of foreign operations

Retained earnings amounted to P2,590 million as of December 31, 2014 from P2,820 million as of December 31, 2013 as a result of net loss during the period.

Total equity attributable to Equity holders of Parent amounted to P9,168 million as of December 31, 2014 from P9,368 million as of December 31, 2013 due to lower retained earnings.

Minority interest amounted to P322 million as of December 31, 2014 and P390 million as of December 31, 2013 primarily due to higher reported losses of the Golden Hill project in Nanning, China.

Total equity amounted to P9,491 million as of December 31, 2014 from P9,751 million as of December 31, 2013.

Results of Operations 2013

Revenues declined by 13% in 2013 reaching P4,233 million from P4,890 million in 2012 principally from lower revenues of the distribution segment from digital product sales and broadband lower revenue due to sale of its assets in May 2012.

Sale of goods amounted to P3,513 million in 2013, lower by11% from P3,959 million for the same period in 2012 mainly due to lower volume of sales of the digital products.

Service revenue went down to P414 million in 2013, decreasing by 34% from P630 million in 2012 mainly due to sale of assets of Solid Broadband Corp. in May 2012 and its eventual termination of operations. Moreover, in-warranty and out-of-warranty service revenues also suffered a decline.

Rental income amounted to P151 million in 2013, up by 11% from P136 million in 2012 mainly due to higher occupancy in 2013.

Sale of real estate amounted to P113 million in 2013, up by 15% from P98 million in 2012. This was principally due to higher condominium sales.

Interest income amounted to P39 million in 2013, lower by 39% from P64 million in 2012 mainly from lower yield on placements as compared with previous year.

Cost of sales, services and rentals amounted to P3,421 million in 2013, or a decrease of 7% from P3,661 million in 2012 as discussed below.

Cost of sales amounted to P2,983 million in 2013, lower by 4%, from P3,092 million last year principally in relation to the decrease in sales.

Cost of services amounted to P332 million in 2013 from P488 million in 2012, down by 32% mainly in relation to lower service revenue for the period.

Cost of rentals amounted to P34 million in 2013 and P35 million 2012. There was no material change for this account.

Cost of real estate sold amounted to P70 million in 2013, up by 53% from P45 million for the same period of 2012. The increase was mainly in relation to higher sale of real estate.

Gross profit amounted to P811 million in 2013 from P1,228 million in 2012. The 34% decrease was principally due to lower revenues and margins of the distribution segments driven by stiff market competition.

Other operating expenses (income) amounted to P686 million in 2013 against P107 million in 2012 as explained below.

General and administrative expenses amounted to P288 million in 2013 from P352 million in 2012. Expenses went down after the broadband assets were sold in May 2012.

Selling and distribution costs amounted to P451 million in 2013, up by 25% from P361 million in 2012 mainly from higher advertising costs for the distribution segment.

Gain on sale of assets amounted to P267 million in 2012 vs. none in 2013. This represented the one-time gains from the disposal of the broadband assets in 2012.

Other operating income amounted to P53 million in 2013, down by 90% from P553 million in 2012 principally due to lower fair value gains (P23 million in 2013 vs. P149 million in 2012). In addition, the company reported a reversal in impairment losses on the broadband asset of P350 million in 2012 (none in 2013).

Operating profit amounted to P125 million in 2013 from P1,336 million in 2012, declining by 91% from lower gross profit and other operating income as discussed above.

Other income (charges) amounted to P64 million in 2013 against P175 million gain in 2012 mainly from the following:

Finance income was lower at P65 million in 2013 compared with P163 million for the same period of last year principally due to lower interest income from bank placements as a result of lower interest rates. Moreover, reversal of impairment in trade receivables was higher in 2012 due to the sale of the broadband assets in 2012.

Finance costs decreased to P20 million in 2013 compared with P49 million in 2012 primarily due to lower foreign currency losses and lower interest expense from interest-bearing loans.

Other gains was P22 million in 2013 versus P60 million in 2012 primarily because there were reversal of allowance for inventory obsolescence in 2012 (none in 2013) and lower gain on derecognition of liabilities.

Income before tax reached P190 million in 2013, decreasing by 87% from P1,511 million for the same period in 2012 mainly due to lower operating profit as explained above.

Tax expense amounted to P44 million in 2013 from P274 million in 2012 due to lower pre-tax income.

Net income amounted to P145 million in 2013 against P1,237 million (P581 million excluding one-time gain from broadband asset sale in 2012) in 2012 due to the reported losses of the distribution segment and lower operating results of the real estate and other segments.

Net income attributable to equity holders of the parent amounted to P157 million in 2013 against P1,239 million in 2012 as discussed above.

Net income attributable to minority interest amounted to P12 million loss in 2013 compared with P2 million loss in 2012 primarily due to higher reported losses of the Golden Hill project in Nanning, China.

Financial Position 2013

Cash and cash equivalents amounted to P2,327 million as of December 31, 2013 down by 23% from P3,019 million as of December 31, 2012. Cash was mostly used for investing activities mainly for acquisition of FAFVTPL and additions to property and equipment and for operating activities mainly for increase in inventories.

Financial assets at fair value through profit or loss amounted to P294 million in 2013, none in 2012, from acquisition of unit investments in trust funds.

Trade and other receivables reached P1,132 million as of December 31, 2013 against P1,220 million as of December 31, 2012, or a decrease of 7% principally due to lower receivable of the distribution segment. Trade customers are generally established and stable companies with reasonable assurance of collectability of their accounts. Nonetheless, trade accounts are periodically reviewed to assess the possible losses from non-collection and allowance is provided for possible losses on accounts which are considered doubtful of collection.

Advances to related parties amounted to P24 million as of December 31, 2013 and P21 million as of December 31, 2012, an increase of 14% due to additional advances.

Merchandise inventories and supplies - net amounted to P844 million as of December 31, 2013, compared with P391 million as of December 31, 2012, an increase of 115% due to buildup of inventories of the myPhone business.

Real estate inventories amounted to P2,423 million as of December 31, 2013 from P2,011 million as of December 31, 2012, an increase of 20% due to additions to the Golden Hill project.

Other current assets amounted to P 425 million as of December 31, 2013 compared with P319 million as of December 31, 2012, an increase of 33 % due to higher creditable withholding taxes and input VAT.

Total current assets reached P 7,472 million as of December 31, 2013 from P6,984 million as of December 31, 2012 mainly from higher merchandise inventories and real estate inventories as discussed above.

Non-current trade and other receivables amounted to P722 million as of December 31, 2013 from P630 million as of December 31, 2012, higher by 15% due to increase in financing receivables and cash surrender value of life insurance.

Non-current available-for-sale financial assets stood at P7 million as of December 31, 2013 against P9 million as of December 31, 2012. The decrease was due to lower club shares.

Property, plant and equipment amounted to P1,560 million as of December 31, 2013 from P1,048 million as of December 31, 2012, an increase of 49% due to the transfer of Solid House property from investment property to this account since the company will use this property for the future Green Sun Hotel operation.

Investment property amounted to P3,648 million as of December 31, 2013 from P4,017 as of December 31, 2012, a decrease of 9% mainly due to the transfer of Solid House to property and equipment.

Retirement benefit assets amounted to P82 million as of December 31, 2013, an increase of 15% from P71 million December 31, 2012 due to lower present value of obligation.

Deferred tax assets - net amounted to P77 million as of December 31, 2013 and P64 million as of December 31, 2012. There was a 20% increase principally due to MCIT of MySolid.

Other non-current assets amounted to P32 million as of December 31, 2013 or an increase of 48% from P22 million as of December 31, 2012 primarily due to higher deferred input VAT.

Total non-current assets amounted to P6,131 million as of December 31, 2013 from P5,863 million as of December 31, 2012 as discussed above.

Total assets reached P13,604 million as of December 31, 2013 from P12,848 million as of December 31, 2012 as discussed above.

Interest-bearing loans amounted to P684 million as of December 31, 2013 from P571 million as of December 31, 2012, up by 20% due to additional loans for the Golden Hill project.

Trade and other payables amounted to P731 million as of December 31, 2013 against P628 million as of December 31, 2012, higher by 16% primarily due to higher trade and other payables of Golden Hill Project and myPhone business.

Customers' deposits amounted to P1,306 million as of December 31, 2013 versus P881 million as of December 31, 2012. The increase of 48% was mainly due to additional deposits received from the Golden Hill project.

Advances from related parties amounted to P81 million as of December 31, 2013, an increase of 599% from P11 million as of December 31, 2012 due to additional advances.

Estimated liability for land and land development costs amounted to P 68 million as of December 31, 2013 and December 31, 2012.

Income tax payable amounted to P4 million as of December 31, 2013 from P65 million as of December 31, 2012 mainly due to lower income tax expense.

Total current liabilities stood at P2,875 million as of December 31, 2013, higher by 29% from P2,227 million as of December 31, 2012 as explained above mainly due to higher interest-bearing loans, trade and other payables and customers' deposits.

Non-current refundable deposits amounted to P15 million as of December 31, 2013 from P16 million as of December 31, 2012 from transfer of non-current deposits to current liabilities.

Retirement benefit obligation amounted to P26 million as of December 31, 2013 and P16 million as of December 31, 2012. This represents the unfunded retirement obligation of certain subsidiaries.

Deferred tax liabilities - net amounted to P935 million as of December 31, 2013 and P919 million in December 31, 2012. There was no material variance for this account.

Total non-current liabilities amounted to P976 million as of December 31, 2013 from P951 million as of December 31, 2012.

Total liabilities amounted to P3,852 million as of December 31, 2013 from P3,179 million as of December 31, 2012.

Capital stock stood at P2,030 million as of December 31, 2013 and December 31, 2012.

Additional paid-in capital amounted to P4,641 million as of December 31, 2013 and December 31, 2012.

Treasury shares amounted to P115 million as of December 31, 2013 and December 31, 2012.

Revaluation reserves amounted to P16 million loss as of December 31, 2013 from P63 million loss as of December 31, 2012 due to other comprehensive income for the period consisting of currency differences on translating financial statements of foreign operations.

Retained earnings amounted to P2,820 million as of December 31, 2013 from P2,772 million as of December 31, 2012 as a result of net income during the period.

Total equity attributable to Equity holders of Parent amounted to P9,361 million as of December 31, 2013 from P9,265 million as of December 31, 2012 due to higher retained earnings.

Minority interest amounted to P390 million as of December 31, 2013 and P402 million as of December 31, 2012 primarily due to higher reported losses of the Golden Hill project in Nanning, China.

Total equity amounted to P9,751 million as of December 31, 2013 from P9,668 million as of December 31, 2012.

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

The Philippine economy posted solid growth in 2015 generated by strong domestic demand which is projected to pick up with higher investment and consumption. GDP growth rate was maintained at an average of 5.9% over the last three years amid a lingering global economic slowdown with the services sector growing by 7.4 percent in 2015.

2015 was a good year for the Company. Revenues grew by 29% in 2015 reaching P6,460 million from P4,997 million in 2014 and P4,233 million in 2013. The growth was coming from the property and building services, technical support and solutions and investment and other business segments. The Company's Golden Hill project in China realized the real estate sales in 2015 which included the customers' deposit in prior years after the property ownership certificate was issued to buyers in 2015.

The Company reported a consolidated net income of P672 million in 2015 from the reported net loss of P188 million in 2014 and net income of P145 million, translating to earnings per share of 0.27 in 2015, loss per share of 0.07 in 2014 and earnings per share of 0.09 in 2013. Aside from the strong real estate sales in China, the Company sold its Balintawak property in 2015, contributing a gain on sale of P138 million and tax income of P102 million (or one-time gains of P240 million.)

The Company has been very aggressive in launching smartphones with new technology and innovations as it continues to cater quality mobile phones with modern specifications at multiple affordable price points. This has been finding favor among budget conscious yet aspirational customers belonging to the low and middle income sectors of the society, contributing to higher sales volume of 10% in 2015. Despite this, however, myPhone business under the digital devices business segment reported sales decline of 12% with revenue of P3.6 billion in 2015 (from P4 billion in 2014) and P3.46 billion in 2013. The Company improved its operations in 2015 by streamlining its operating expenses, cutting down its net loss by 58% to P69 million (from P156 million loss in 2014 and P8 million loss in 2013). Gross margins also slightly improved despite foreign currency volatility in 2015 to 11% (from 10% in 2014).

The Company maintained its liquidity with its total assets of P12.3 billion in 2015 with a decrease of 9.49% from P13.6 billion in both 2014 and 2013. It has maintained a low debt to equity ratio of 0.22:1 in 2015, 0.44:1 in 2014 and 0.39:1 in 2013 and even a lower gearing percentage (computed as financial debt divided by total equity) of 3% in 2015, 9% in 2014 and 7% in 2013 resulting from low financial borrowings thereby reducing its credit risk (the risk of default in payment of loans) to minimal level. The Company maintained its liquidity such that its current ratio had always exceeded the conservative rule of thumb of 2:1 by achieving a current ratio of 4.33.1 in 2015, 2.31:1 in 2014 and 2.60:1 in 2013.

The Company will maintain its strong financial condition in the future. Although its low debt load provides the company with substantial debt capacity to borrow funds to finance future projects/investments, management has set a limit on financial borrowings to a maximum gearing of 50% of equity.

The competition in the mobile phone industry has intensified but the Company still expects to maintain its strong presence in the market. The sales is expected to remain upbeat, with initial uptake of the company's new flagship handsets, the My series, which has been encouraging, with reported increase in units sold during the introductory sales beating the initial sales of its predecessors. Many smart ways are embraced to bring the overall strategic challenge down to a more manageable proportion to stay on par with competition.

Moreover, property and building services segment will continue to be a value driver in the future and, with constant revenue streams. Revenue streams from its leasing operations are expected to contribute P150 million in 2016.

In 2015, Fil- Dragon recognize revenue of P1.756 billion (RMB242 million) vs. none in 2014. The Company realized a net income of P337 million (RMB46.6 million), with Parent Company share of

P172 million from P142 million (RMB 19.7 million) loss in 2014. Revenue, related cost and income tax were recognized as the property ownership certificates from China government were issued to the buyers.

The Company started the operation of Green Sun in November 2014, a business hotel and event center consisting of 144 rooms which generated P60 million and P12 million revenues in 2015 and 2014, respectively. Together with Casa Bocobo hotel operating in Manila, combined hotel business is projected to generate revenues of P150 million in 2016 and expected to continue to improve with the rise of corporate clients and influx of both local and foreign tourists.

The Company remains optimistic that the MyHouse business will surpass its 2015 performance with the steady rise of its revenues on a year on year with the number of projects already lined-up. In 2015, MyHouse generated P124 million in revenues, an 88% increase from its 2014 revenue of P66 million which included APEC Media Center project and a dormitory type housing project in Quezon City. It expects to improve profitably in the coming year with more efficient operation.

Despite present downturn of real estate business in most of China except Beijing, Hangzhou, Shanghai and Shenzhen, Phil-Nanning which own 51% of Fil-Dragon, the China Nanning Project realized revenue and income from previous years' customers' deposits after the release of the long awaited ownership certificate. However, due to increasing difficulty to sell the remaining inventory and rising costs of operation, the Company is reassessing its position in this China real estate project.

The business of Omni Solid Services under the Technical Support and Solutions business segment posted a 22% improvement in revenues to P274 million in 2015 from P224 million in 2014. It will continue to embark on its delivery vehicles re-fleeting program to replace its aging fleet to comply with LTOs directive to phase out 15 year-old vehicles to curb pollution and pave way for their modernization program. In 2016, it will obtain additional test laboratory equipment and facilities with estimated capital expenditure of P40 million to improve Bicutan laboratory facility to address the increasing demand of enterprises and manufacturers for product testing services in their bid to meet the government's mandatory requirements for product quality and safety.

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 2016 to amount to P350 million for various real estate development and upgrade of facilities. The purchase and/or construction of these capital expenditures will be financed primarily through the funds of the Company.

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

On May 2015, Solid Manila Corporation sold its property located in Balintawak, Quezon City. As a result, the Company expects its rental revenues to decline by about 15%.

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

None.

vii. Causes for any Material Changes from Period to Period

On May 8, 2015, Solid Manila Corporation sold its property located at Balintawak, Quezon City, with a total area of 31,423.5 sqm. at an agreed purchase price of P1.23 billion. The above sale contributed to a gain of P138 million and tax income of P102 million or a total of P240 million (none in 2014 and 2013).

Balance Sheet Items (2015 vs. 2014)

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

Cash and cash equivalents – 58% increase to P2,576 million from P1,623 million

Cash was mostly provided from investing activities mainly from the sale of investment property and redemption of FAFVTPL and from operating activities mainly from sale of real estate inventories offset by decrease in customers' deposits. This account stood at 20% and 11% as a percentage of total assets for 2015 and 2014.

Financial assets at fair value through profit or loss – P123 million as of December 31, 2015 from P746 million as of December 31, 2014

Mainly from redemption of unit investment in trust funds. This account stood at 1% and 5% as a percentage of total assets for years 2015 and 2014.

Trade and other receivables – 11% decrease to P1,278 million from P1,438 million

No material change. This account stood at 10% as a percentage of total assets in 2015 and 2014, respectively.

Advances to related parties – 94% decrease to P1.6 million from P28 million

Principally from collection of advances. This account stood at 0.01% and 0.21% as a percentage of total assets in 2015 and 2014, respectively.

Merchandise inventories and supplies – 45% increase to P866 million from P594 million

Mainly from higher merchandise and finished goods for digital products of the digital mobile devices segment. This account represented 7% and 4% as a percentage of total assets in 2015 and 2014, respectively.

Real estate inventories – 30% decrease to P1,647 million from P2,371 million

Mainly from sale of real estate inventories. This account stood at 13% and 17% as a percentage of total assets in 2015 and 2014, respectively.

Other current assets – 18% decrease to P471 million from P574 million

Mainly due to lower prepayments and creditable withholding taxes. This account stood at 4% as a percentage of total assets for years 2015 and 2014.

Non-current trade and other receivables – amounted to P601 million as of December 31, 2015, increased by 3% from P582 million as of December 31, 2014

Mainly due to higher cash surrender value of investment in life insurance. This account stood at 4% as a percentage of the total assets in both years.

Non-current available-for-sale financial assets – 46% increase in 2015 to P13 million from P9 million in 2014

The increase was due to higher club shares. This account stood at 0.11% and 0.07% as a percentage of total assets for 2015 and 2014.

Property, plant and equipment – 4% increase to P1,815 million from P1,739 million

No material change. This represented 14% and 12% as a percentage of total assets in 2015 and 2014, respectively.

Investment property –27% decrease to P2,653 million from P3,653 million

Mainly due to sale of Balintawak property. This account stood at 21% and 26% as a percentage of total assets in 2015 and 2014, respectively.

Retirement benefit assets - 4% decrease to P117 million from P123 million

No material change. This represented 0.95% and 0.90% of total assets in 2015 and 2014, respectively.

Deferred tax assets –net - 30% increase to P166 million from P127 million

Principally due to future tax benefits on net operating loss carry-over and MCIT of the digital mobile devices segment. This account stood at 1.34% and 0.93% of total assets in 2015 and 2014, respectively.

Other non-current assets – 33% decrease to P29 million from P44 million

Mainly due to lower deferred input VAT. This represented 0.24% and 0.32% as percentage to total assets in 2015 and 2014 respectively.

Interest-bearing loans – 69% decrease to P257 million from P844 million

Mainly due to payment of loans. This account stood at 2% and 6% as a percentage of total liabilities and equity in 2015 and 2014, respectively.

Trade and other payable – 13% decrease to P637 million from P732 million

Principally due to lower accrued expenses and trade payables and advances from customers. This account stood at 5% as a percentage of total liabilities and equity in 2015 and 2014.

Customers' Deposit – 63% decrease to P550 million from P1,502 million

Principally due to recognition of revenue by Fil-Dragon. This account represented 4% in 2015 and 11% in 2014 as a percentage of total liabilities and equity in 2015 and 2014, respectively.

Advances from related parties – 98% increase to P73 million from P36 million

The increase was due to additional advances made during the year. This account stood at 0.59% in 2015 and 0.27% in 2014 as a percentage of total liabilities and equity.

Estimated liability for land and land development costs – no change

There was no movement during the period. This account represented 0.55% and .50% as a percentage of total liabilities and equity in 2015 and 2014, respectively.

Income tax payable –111% increase to P19 million as of December 31, 2015 from P9 million as of December 31, 2014.

Mainly due to provision for income tax of certain subsidiaries. This account was pegged at 0.16% and 0.07% of the total liabilities and equity in 2015 and 2014, respectively.

Non-current refundable deposits – 42% increase to P19 million from P13 million

Principally due to additional deposits during the year. This represented 0.15% and 0.10% of the total liabilities and equity in 2015 and 2014, respectively.

Retirement benefit obligation – 4% decrease to P19 million from P20 million

No material change for this account. This account stood at 0.16% and 0.15% of the total liabilities and equity in 2015 and 2014, respectively.

Deferred tax liabilities – 30% decrease to P647 million from P938 million

Mainly due to reversal of deferred tax liabilities as certain properties are sold. This account stood at 5% and 6% as a percentage of total liabilities and equity for 2015 and 2014, respectively.

Capital stock – no change

This account stood at 16% and 14% of total liabilities and equity for 2015 and 2014, respectively.

Additional Paid-In-Capital – no change

This account represented 37% and 33% of total liabilities and equity for 2015 and 2014, respectively.

Treasury Shares – no change

This account represented 0.94% and 0.85% of total liabilities and equity for 2015 and 2014, respectively.

Revaluation reserves – amounted to P35 million from P21 million

Principally due to other comprehensive income for the period consisting of currency exchange differences on translating financial statements of foreign operations. It stood at 0.28% and 0.15% total liabilities and equity in 2015 and 2014, respectively.

Retained earnings – 14% increase to P2,967 million from P2,590 million

Increase was a result of net income during the period. This account stood at 24% and 18% of total liabilities and equity in 2015 and 2014, respectively.

Income Statement Items (2015 vs. 2014)

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

Sale of goods – 9% decrease to P3,952 million from P4,337 million

Principally from lower volume of sales of the digital product. As a percentage of total revenues, this account represents 61% and 86% in 2015 and 2014, respectively.

Sale of real estate – 6,213% increase to P1,788 million from P28 million

Principally due to recognition of sale of Golden Hill Project in China. The Company realized the real estate sales in 2015 which included Customer's Deposits in prior years when the property ownership certificates were issued to the buyers in 2015. As a percentage of total revenues, this account stood at 27% in 2015 and 0.57% in 2014.

Service revenue – 17% increase to P532 million from P453 million

Mainly due to higher warranty income and tolling fees of the technical support and solutions segment and higher hotel and events revenue of Green Sun Hotel. As a percentage of total revenues, this account represents 8% and 9% in 2015 and 2014, respectively.

Rental income – P146 million from P150 million

No material change. As a percentage of total revenues, this account represents 2% and 3% for years 2015 and 2014, respectively.

Interest income – 54% increase to P41 million from P27 million

Mainly from higher yield on placements. As a percentage of total revenues, this account represents 0.65% in 2015 and 0.54% in 2014.

Cost of sales – 7% decrease in P3,577 million from P3,854 million

Mainly in relation to decrease in sales. As a percentage of total sales, this account represented 55% and 77% in 2015 and 2014, respectively.

Cost of real estate sold – 4,071% increase to P925 million from P22 million

The increase was mainly in relation to significant increase in the sale of real estate. As a percentage of total revenues, this account represents 14% in 2015 and 0.44% in 2014.

Cost of services – 4,071% increase to P460 million from P374 million

Principally in relation to higher service revenue. This account stood at 7% in 2015 and 2014 as a percentage of total revenues.

Cost of rentals – 59% increase to P57 million from P35 million

The increase was mainly due to higher taxes and licenses. This account represents 0.89% in 2015 and 0.72% in 2014 as a percentage of total revenues.

Gross profit – 102% increase to P1,440 million from P710 million

The increase was principally due to higher margins of the property and building segment. As a percentage of total revenues, this account stood at 22% in 2015 and 14% in 2014.

Selling and distribution costs – P559 million from P552 million

No material change. This account represents 8% of total revenues for 2015 and 11% in 2014.

General and administrative expenses – 11% decrease to P336 million from P379 million

Decrease was mainly due to recognition of penalties for late delivery of property documents for the China project in 2014 (none in 2015). As a percentage of total revenues, this account stood at 6% in 2015 and 7% in 2014.

Other operating income - net – 205% increase to P263 million from P86 million

Principally from higher fair value gains and gain on sale of investment property. As a percentage to total revenues, this account represents 4% in 2015 and 1% in 2014.

Finance income – 169% increase to P89 million from P33 million.

It went up due to higher interest income from bank placements as a result of higher interest rates and higher principal, higher foreign currency exchange gains and gain on settlement of receivables. This account represents 1% and 0.66% of total revenues for 2015 and 2014, respectively.

Finance costs – 31% decrease to P77 million from P112 million

Primarily due to lower impairment losses on trade and other receivables and foreign currency losses. This account represents 1% of total revenues in 2015 from 2% in 2014.

Share in net loss of an associate – P3 million in 2015 from nil in 2014

Due to net loss of Creative Hothouse Manila for the period. This account stood at 0.05% in 2015, nil in 2014 as a percentage of total revenues.

Other gains - net – 404% increase to P16 million from P3 million

Primarily due to gain on sale of property and equipment and higher net interest income on retirement benefit asset. This account stood at 0.25% in 2015 from 0.06% in 2014 as a percentage of total revenues.

Tax expense – 802% increase to P159 million from P22 million tax

Mainly due to higher provision for current tax expense income from Balintawak property sale and tax expense for real estate sale in China.

Balance Sheet Items (2014 vs. 2013)

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

Cash and cash equivalents – 30% decrease to P1,623 million from P2,327 million

Mostly used for investing activities mainly for increase of FAFVTPL and additions to property and equipment; for operating activities mainly for increase in trade and other receivables. This account stood at 11% and 17% as a percentage of total assets for 2014 and 2013.

Financial assets at fair value through profit or loss – P746 million as of December 31, 2014 and amounted to P294 million as of December 31, 2013.

Mainly from acquisition of unit investment in trust funds. This account stood at 5% and 2% as a percentage of total assets for years 2014 and 2013.

Trade and other receivables – 26% decrease to P1,438 million from P1,132 million

Mainly due to higher trade receivables of the digital mobile devices segment. This account stood at 10% and 8% as a percentage of total assets in 2014 and 2013, respectively.

Advances to related parties – 29% increase to P28 million from P24 million

Principally from additional advances. This account stood at 0.21% and 0.18% as a percentage of total assets in 2014 and 2013, respectively.

Merchandise inventories and supplies – 29% decrease to P594 million from P844 million

Mainly from lower merchandise and finished goods for digital products of the digital mobile devices segment. This account represented 4% and 6% as a percentage of total assets in 2014 and 2013, respectively.

Real estate inventories – 2% decrease to P2,371 million from P2,423 million

There was no material change for this account. This account stood at 17% as a percentage of total assets in both years.

Other current assets – 34% increase to P574 million from P425 million

Mainly due to higher prepayments and creditable withholding taxes. This account stood at 4% and 3% as a percentage of total assets for years 2014 and 2013.

Non-current trade and other receivables – amounted to P582 million as of December 31, 2014, decreased by 19% from P722 million as of December 31, 2013.

Mainly due to the reclassification of currently maturing receivables to current assets. This account stood at 4% and 5% of total assets for 2014 and 2013, respectively.

Non-current available-for-sale financial assets – 30% increase in 2014 to P9 million from P7 million in 2013

The decrease was due to higher club shares. This account stood at 0.07% and 0.05% as a percentage of total assets for 2014 and 2013.

Property, plant and equipment – 11% increase to P1,739 million from P1,560 million

Primarily due to transfer from investment property and additions for the Green Sun. This represented 12% and 11% as a percentage of total assets in 2014 and 2013.

Investment property – P3,653 million from P3,648 million

Mainly due to fair value gains on investment property. This account stood at 26% as a percentage of total assets in both years.

Retirement benefit assets - 49% increase to P123 million from P82 million

Increase was mainly due to higher fair value of plan assets sans the effect of asset ceiling in 2013, nil in 2014. This represented 0.90% and 0.60% of total assets in 2014 and 2013, respectively.

Deferred tax assets - net – 63% increase to P127 million from P77 million

Principally due to future tax benefits on net operating loss carry-over, allowance for impairment losses and MCIT of the digital mobile devices segment. This account stood at 0.93% and 0.57% of total assets in 2014 and 2013, respectively.

Other non-current assets – 34% increase in 2014 to P44 million from P32 million

Mainly due to higher deferred input VAT. This represented 0.31% and 0.24% as percentage to total assets in 2014 and 2013, respectively.

Interest-bearing loans – 23% increase in 2014 to P844 million from P684 million

Mainly due to additional loans for the Golden Hill project. This account stood at 6% and 5% as a percentage of total liabilities and equity in 2014 and 2013.

Trade and other payable – amounted to P732 million from P731 million

No material change for this account. This account stood at 5% as a percentage of total liabilities and equity in 2014 and 2013.

Customers' Deposit – 15% increase to P1,502 million from P1,306 million

Principally due to additional deposits received from the Golden Hill Project. This account represented 11% in 2014 and 9% in 2013 as a percentage of total liabilities and equity in 2014 and 2013.

Advances from related parties – 56% decrease to P36 million from P81 million

The decrease was due to repayment of advances made for the year. This account stood at 0.27% in 2014 and 0.60% in 2013 as a percentage of total liabilities and equity.

Estimated liability for land and land development costs – no change

There was no movement during the period. This account represented 0.50% as a percentage of total liabilities and equity in both years.

Income tax payable – 100% increase to P9 million as of December 31, 2014 from P4 million as of December 31, 2013

Mainly due to provision for income tax for certain subsidiaries. This account was pegged at 0.07% and 0.03% of the total liabilities and equity in 2014 and 2013, respectively.

Non-current refundable deposits – amounted to P13 million from P15 million

Principally due to the reclassification of certain deposits to current liabilities. This represented 0.10% and 0.11% of the total liabilities and equity in 2014 and 2013, respectively.

Retirement benefit obligation – 21% decrease to P20 million from P26 million

Principally due to remeasurements made during the year. This account stood at 0.15% and 0.19% of the total liabilities and equity in 2014 and 2013, respectively.

Deferred tax liabilities – Increase to P938 million from P935 million

No material change. This account stood at 6% as a percentage of total liabilities and equity for 2014 and 2013.

Capital stock – no change

This account stood at 14% of total liabilities and equity for 2014 and 2013.

Additional Paid-In-Capital – no change

This account represented 33% and 34% of total liabilities and equity for 2014 and 2013, respectively.

Treasury Shares – no change

This account represented 0.85% of total liabilities and equity for 2014 and 2013.

Revaluation reserves – amounted to P21 million from (P16 million)

Principally due to other comprehensive income for the period consisting of actuarial gains offset by currency differences on translating financial statements of foreign operations. It stood at .015% and 0.12% total liabilities and equity in 2014 and 2013, respectively.

Retained earnings – 8% decrease to P2,590 million from P2,820 million

Decrease was a result of net loss during the period. This account stood at 18% and 20% of total liabilities and equity in 2014 and 2013, respectively.

Income Statement Items (2014 vs. 2013)

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

Sale of goods – 23% increase to P4,337 million from P3,513 million

Principally from higher volume of sales of the digital product. As a percentage of total revenues, this account represents 87% and 83% in 2014 and 2013, respectively.

Service revenue – 9% increase to P453 million from P414 million

Mainly due to higher warranty income and tolling fees of the technical support and solutions segment. As a percentage of total revenues, this account represents 9% for both years, 2014 and 2013.

Rental income – P150 million from P151 million

No material change. As a percentage of total revenues, this account represents 3% for years 2014 and 2013.

Sale of real estate – 75% decrease to P28 million from P113 million

Principally due to lower condominium sales. As a percentage of total revenues, this account stood at 0.57% in 2014 and 2% in 2013.

Interest income – 31% decrease to P27 million from P39 million

Mainly from lower yield on placements as compared with previous year and lower principal amount since the Company transferred certain placements under Unit Investments in Trust Funds classified under Financial Assets at Fair Value Through Profit or Loss (FAFVTPL). As a percentage of total revenues, this account represents 0.54% in 2014 and 0.93% in 2013.

Cost of sales – 29% increase in P3,854 million from P2,983 million

Mainly in relation to increase in sales. As a percentage of total sales, this account represented 77% and 70% in 2014 and 2013, respectively.

Cost of services – 12% increase to P374 million from P332 million

Principally in relation to higher service revenue. This account stood at 7% in 2014 and 2013 as a percentage of total revenues.

Cost of rentals – P35 million from P34 million

No material change for this account. This account represents 1% as a percentage of total revenues for both years.

Cost of real estate sold – 68% decrease to P22 million from P70 million

The decrease was mainly in relation to lower sale of real estate. As a percentage of total revenues, this account represents 0.44% in 2014 and 1% in 2013.

Gross profit – 12% decrease to P710 million from P811 million

The decrease was principally due to lower margins of the digital mobile devices segment driven by stiff market competition. As a percentage of total revenues, this account stood at 14% in 2014 and 19% in 2013.

General and administrative expenses – 31% increase to P379 million from P288 million

Mainly due to higher taxes and licenses, personnel costs, property certificate charges and donation expenses to Typhoon Yolanda hit areas. As a percentage of total revenues, this account stood at 7% in 2014 and 6% in 2013.

Selling and distribution costs – 22% increase to P552 million from P451 million

Mainly from higher commission and incentives of the distribution segment. This account represents 11% of total revenues for 2014 and 10% in 2013.

Other operating income - net – 61% increase to P86 million from P53 million

Principally from higher fair value gains on investment property and reversal of warranty provision. As a percentage to total revenues, this account represents 1% in 2014 and 2013.

Other operating profit (loss) – 208% decrease to P135 million loss from P125 million gain.

Principally due to higher operating expenses for the period. As a percentage of total revenues, this account stood at 3% in 2014 and 2013.

Finance income – 47% decrease to P33 million from P62 million.

It went down due to lower interest income from bank placements as a result of lower interest rates and lower foreign currency gains. This account represents 1% of total revenues for 2014 and 2013.

Finance costs – P112 million from P20 million

Primarily due to higher interest expense from interest-bearing loans (in 2013, interest cost for the Golden Hill project was capitalized as part of property development cost) and higher impairment losses on trade and other receivables. This account represents 2% of total revenues in 2014 from 0.49% in 2013.

Other gains - net – 85% decrease to P3 million to P22 million

Primarily due to lower gain on derecognition of liabilities. This account stood at 0.06% in 2014 from 0.54% in 2013 as a percentage of total revenues.

Balance Sheet Items (2013 vs. 2012)

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

Cash and cash equivalents – 23% decrease to P2,327 million from P3,019 million

Mostly used for investing activities mainly for acquisitions of FAFVTPL and additions to property and equipment and for operating activities mainly for increase in inventories. This account stood at 17% and 24% as a percentage of total assets for years 2013 and 2012.

Financial assets at fair value through profit or loss – P294 million as of December 31, 2013 and amounted to nil as of December 31, 2012

Financial assets at fair value through profit or loss amounted P294 million as of December 31, 2013 versus nil as of December 31, 2012 mainly due to availment of UITF

Trade and other receivables – 7% decrease to P1,132 million from P1,220 million

Mainly due to collection of receivables of the digital mobile devices segment. This account stood at 8% and 10% as a percentage of total assets in 2013 and 2012, respectively.

Advances to related parties – 14% increase to P24 million from P21 million

Principally from additional advances. This account stood at 0.18% and 0.17% as a percentage of total assets in 2013 and 2012, respectively.

Merchandise inventories and supplies – 115% increase to P844 million from P391million

Mainly due to buildup of inventories of the myPhone business. This account represented 6% and 3% as a percentage of total assets in 2013 and 2012, respectively.

Real estate inventories – 20% increase to P2,423 million from P2,011 million

The increase was mainly due to the ongoing Fil-Dragon's project in Nanning, China. This account stood at 17% and 15% as a percentage of total assets in 2013 and 2012, respectively.

Other current assets – 33% increase to P425 million from P319 million

Mainly due to higher creditable withholding taxes and input VAT. This account stood at 3% and 2% as a percentage of total assets for years 2013 and 2012.

Non-current trade and other receivables – amounted to P722 million as of December 31, 2013, increased by 14% from P630 million as of December 31, 2012

Mainly due to increase in cash surrender value of life insurance and finance receivables. This account stood at 5% of total assets for both years.

Non-current available-for-sale financial assets – 20% decrease in 2013 to P7 million from P9 million in 2012

The decrease was due to lower club shares. This account stood at 0.05% and 0.07% as a percentage of total assets for 2013 and 2012.

Property, plant and equipment – 49% increase to P1,560 million from P1,048 million

Mainly due to the transfer of Solid House property from investment property to this account. This represented 11% and 8% as a percentage of total assets in 2013 and 2012.

Investment property – P3,648 million from P4,017 million

Mainly from transfer of Solid House property to property and equipment. This account stood at 27% and 31% as a percentage of total assets in 2013 and 2012, respectively.

Retirement benefit assets –115% increase to P82 million from P71 million

Increase was mainly due to lower present value of obligation. This represented 0.60% and 0.56% of total assets in 2013 and 2012, respectively.

Deferred tax assets - net – 20% increase to P77 million from P64 million

Mainly due to MCIT of MySolid. This account stood at 0.57% and 0.50% of total assets in 2013 and 2012 respectively.

Other non-current assets – 48% increase in 2013 to P32 million from P22 million

Mainly due to higher deferred input VAT. This represented 0.24% and 0.17% as percentage to total assets in 2013 and 2012, respectively.

Interest-bearing loans – 20% increase in 2013 to P684 million from P571 million

Mainly due to additional loans for the Golden Hill project. This account stood at 5% and 4% as a percentage of total liabilities and equity in 2013 and 2012, respectively.

Trade and other payable – 16% increase to P731 million from P628 million

Increase was primarily due to higher trade payables and other payables of the Golden Hill project and myPhone business. This account stood at 5% and 4% in 2013 and 2012, respectively as a percentage of total liabilities and equity in 2013 and 2012.

Customers' Deposit – increase to P1,306 million from P881 million

Principally due to additional collection of deposits for real estate sales.

Advances from related parties – 599% increase to P81 million from P11 million

The increase was due to advances made during the period. This account stood at 0.60% in 2013 and 0.09% in 2012 as a percentage of total liabilities and equity.

Estimated liability for land and land development costs – no change

There was no movement during the period. This account represented 0.50% and 0.53% as a percentage of total liabilities and equity in 2012 and 2011, respectively.

Income tax payable – 92% decrease to P4 million as of December 31, 2013 from P65 million as of December 31, 2012

Mainly due to lower tax expenses. This account was pegged at 0.03% and 0.51% of the total liabilities and equity in 2013 and 2012, respectively.

Non-current refundable deposits – amounted to P15 million from P1.6 million

Mainly from additional deposits. This represented 0.11% and 0.12% of the total liabilities and equity in 2013 and 2012, respectively.

Retirement benefit obligation – 64% increase to P26 million from P16 million

Mainly from unfunded retirement obligation. This account stood at 0.19% and 0.13% of the total liabilities and equity in 2013 and 2012, respectively.

Deferred tax liabilities – Increase to P935 million from P919 million

No material change. This account stood at 6% and 7% as a percentage of total liabilities and equity for 2013 and 2012.

Capital stock – no change

This account stood at 14% and 15%of total liabilities and equity for 2013 and 2012, respectively.

Additional Paid-In-Capital – no change

This account represented 34% and 36% of total liabilities and equity for 2013 and 2012, respectively.

Treasury Shares – no change

This account represented 0.85% and 0.90% of total liabilities and equity for 2013 and 2012, respectively.

Revaluation reserves – amounted to (P16 million) from (P63 million)

Principally due to other comprehensive income for the period consisting of currency differences on translating financial statements of foreign operations. This account stood at .012% and 0.49% total liabilities and equity in 2013 and 2012, respectively.

Retained earnings – 1.75% increase to P2,820 million from P2.772 million

Increase was a result of net income during the period. This account stood at 20% and 21% of total liabilities and equity in 2013 and 2012, respectively.

Income Statement Items (2013 vs. 2012)

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

Sale of goods – 11% decrease to P3,513 million from P3,959 million

Principally from lower volume of digital product sales. As a percentage of total revenues, this account represents 83% and 81% in 2013 and 2012, respectively.

Service revenue – 34% decrease to P414 million from P630 million

Principally due to termination of operations of SBC after its asset sale in 2012. As a percentage of total revenues, this account represents 10% and 13% for years 2013 and 2012.

Rental income – 11% increase to P151 million from P136 million

Principally due to higher occupancy in 2013. As a percentage of total revenues, this account represents 4% and 3% for years 2013 and 2012.

Sale of real estate – 15% increase to P113 million from P98 million

Principally due to higher condominium sales. As a percentage of total revenues, this account stood at 3% in 2013 and 2% in 2012.

Interest income – 39% decrease to P39 million from P64 million

Mainly from lower yield on placements as compared with previous year. As a percentage of total revenues, this account represents 0.93% in 2013 and 1% in 2012.

Cost of sales – P2,983 million from P3,092 million

No material change for this account. As a percentage of total sales, this account represented 70% and 63% in 2013 and 2012, respectively.

Cost of services – 32% decrease to P332 million from P488 million

Principally in relation to lower service revenue. This account decreased to 8% in 2013 and 10% in 2012 as a percentage of total revenues.

Cost of rentals – P34 million from P35 million

No material change for this account. This account represents 1% as a percentage of total revenues for both years.

Cost of real estate sold – 53% increase to P70 million from P45 million

The increase was mainly in relation to higher sale of real estate. As a percentage of total revenues, this account represents 2% in 2013 and 1% in 2012.

General and administrative expenses – 18% decrease to P288 million from P352 million

Expenses went down after the broadband assets were sold in May 2012. As a percentage of total revenues, this account stood at 7% for both years.

Selling and distribution costs – 25% increase to P451 million from P361 million

Mainly from higher advertising costs. This account represents 11% of total revenues for 2013 and 7% in 2012.

Gain on sale of assets – nil in 2013 and P267 million in 2012

None in 2013, one-time gain from the sale of broadband assets in 2012.

Other operating income - net – 90% decrease to P53 million from P553 million

Primarily due to gain on sale of broadband assets (none in 2013). This account decreased to 1% in 2013 from 11% in 2012 as a percentage of total revenues.

Finance income – 62% decrease to P62 million from P163 million

It went down because in 2012 there were reversals of impairment on PPE and trade receivables due to sale of broadband assets in 2012. This account decreased at 1% of total revenues for 2013 from 3% in 2012.

Finance costs – P20 million from P49 million

Primarily due to lower foreign currency losses and lower interest expense. This account decreased at 0.49% of total revenues in 2013 from 1% in 2012.

Other gains - net – P22 million to P60 million

Primarily due to lower gain on derecognition of liabilities in 2013. Also in 2012, there was reversal of allowance on inventory obsolescence (none in 2013). This account stood at 0.54% in 2013 from 1% in 2012 as a percentage of total revenues.

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.

D. Brief Description and General Nature and Scope of the Business

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.

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, SBC sold its broadband cable infrastructure and broadband internet subscriber base to Skycable Corporation.

The Company has thirteen (13) wholly-owned subsidiaries as of December 31, 2015, 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. Effective January 1, 2012, SMC merged with Solid Corporation, also another wholly-owned subsidiary of the Company engaged in the same business of leasing real estate properties, with the SMC as the surviving company. SMC merged with Solid Corporation (SC), another wholly-owned subsidiary of the Company, effective January 1, 2012, with SMC as the surviving company. In 2014, SMC operated the Green Sun Hotel.

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

Precos Corporation (Precos) was incorporated on October 31, 1989 to engage in real estate and related businesses. Prior to 2004, Precos was 60% owned by Solid Corporation (SC) and 40% owned by Sony International (Singapore) Ltd. (SONIS). In 2004, Precos reacquired as treasury stock the shares held by SONIS, thereby making the Company a wholly-owned subsidiary of SC.

In 2007, Precos became a wholly-owned subsidiary of the Company when SC declared property dividend to the Company in the form of its investment in Precos.

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 on April 1, 2000 and was no longer renewed. Kita merged with Clark Plastics Manufacturing Corporation (CPMC), a wholly-owned subsidiary of SC, in April 2004, with Kita as the surviving company. After its merger with CPMC, Kita resumed operations to continue the business of CPMC, which is injected plastics manufacturing as well as the lease of its property. In December 2010, Kita ceased the operations of its injected plastics manufacturing business. Henceforth, Kita's revenues principally come from the lease of its properties.

Omni Solid Services Inc. (OSSI) (formerly Solid Laguna Corporation SLC) was incorporated on May 15, 1995. SLC merged with Solid City Industrial and Commercial Corporation (SCICC), a wholly-owned subsidiary of Solid Corporation, on December 28, 2001 with SLC as the surviving company. SLC ceased its consumer electronics manufacturing operations in December 2002 after its manufacturing agreement with SPH expired in September 2002 and was not renewed. Subsequently, SLC's business is injected plastics manufacturing which was the business of SCICC prior to their merger. SLC ceased the operations of the plastic injection manufacturing business at the end of 2009 and operated as lessor of real estate. SLC merged with Omni Logistics Corporation (OLC), another wholly owned subsidiary of the Company, effective January 1, 2012, with SLC as the surviving company. After the merger, SLC resumed the business of OLC of providing warehousing and logistics services to third parties. On March 19, 2012, SLC changed its corporate name to Omni Solid Services, Inc.

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.

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. (See Agreements). After the sale of its assets, SBC's remaining business was acting as collecting agent of Sky Cable until the SBC's clients are transferred to the latter.

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

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, 2015 are: (1) sale of mobile phones which generated sales of P3,594 million (for 3,369,941 units) or 91% of sales in 2015, P4,071 million (for 2,973,765 units) or 94% of sales in 2014 and P3,398 million (for 2,454,531 units) or 97% of sales in 2013; and (2) after-sales service for principally SONY brands of consumer electronic products and myPhone with its 40 company-owned service centers throughout the Philippines as of end of 2015 which generated service income of P178 million or 33% of service revenues in 2015, P182 million or 40% of service revenues in 2014 and P164 million or 40% of service revenues in 2013; and (3) warehousing, distribution and product testing of consumer electronic products with service revenue of P164 million or 31% of service revenues, P112 million or 25% of service revenues in 2014 and P116 million or 28% of service revenues in 2013 and (4) subcontract or toll manufacturing of color TV sets for other brand owner (i.e. TCL) which generated tolling fee of P29 million in 2015 (for 159,697 units) or 5% of service revenues in 2015, P23 million in 2014 (for 141,642 units) or 5% of service revenues in 2014 and P9 million in 2013 (for 58,000 units) or 2% of service revenues.

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’s 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 P60 million in 2015 or 11% of service revenues in 2015, P54 million in 2014 or 12% of service revenues in 2014 and P53 million in 2013 or 13% of service revenues.

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, and sale of broadcast/professional equipment and accessories.

The Company’s products are sold in the Philippines. Revenues for the last 3 years, are as follows: broadcast/professional equipment and accessories of P282 million or 7% of sales in 2015, P174 million or 4% of sales in 2014 and P81 million or 2% of sales in 2013; prefabricated modular houses of P124 million or 3% of sales in 2015, P68 million or 2% of sales in 2014 and P34 million or 1% of sales in 2013. Real estate sales amounted to P 1,788 million or 28% of revenues in 2015, P28 million or 0.5% of revenues in 2014 and P114 million or 3% of revenues in 2013. Revenues from hotel operations amounted to P100 million in 2015 or 19% of service revenues in 2015, P45 million in 2014 or 10% of service revenues in 2014 and P39 million in 2013 or 9% of service revenues in 2013.

Distribution

The broadcast/professional equipment and accessories is also sold directly to its corporate clients such as broadcast stations.

The Company distributes through its subsidiaries consumer electronic products and devices in the Philippines. The myPhone brand is distributed by MySolid Technologies and Devices Corporation. As of December 31, 2015, MySolid supplied approximately 100 dealer accounts and 1,500 retail outlets.

Status of any-publicly announced new product or service

None.

Competition

The myPhone brand cellphones distributed by MySolid Technologies and Devices Corporation competed with other brands in the Philippine market mainly Samsung, Sony Ericsson, Cherry Mobile, Star Mobile, O+, Oppo, Huawei and other grey market phones.

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

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

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

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

Raw Materials, Parts and Components

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

Dependency of the business upon a single or few customers

The Company is not dependent on any single or few customers. There are no major existing sales contracts.

Service

The Company provides through its subsidiaries, after-sales service for all the consumer electronic products it manufactures. As at December 31, 2015, it has 40 service centers throughout the Philippines and 30 authorized service centers.

Related Party Transactions

The Company provides non-interest bearing cash advances to its subsidiaries for their working capital requirements. Subsidiaries of the Company generally depend on one another for supply of services and lease of properties. (See Item 12- Certain Relationships and Related Transactions of form 17-A)

Principal Terms and Expiration Dates of all Licenses and Agreements

- Memorandum of Understanding with Sony Philippines, Inc. (Sony)

On July 1, 2003, Solid Electronics Corporation (SEC) entered into a Memorandum of Understanding (MOU) with Sony for network support for Sony products. Under the MOU, Sony authorized the Company to perform in-warranty and out-of warranty services to customers in the Philippines for a fee calculated as a percentage of Sony's annual sales.

In-warranty services shall be rendered free of charge to customers. The actual cost of replacement parts related to in-warranty services shall be shouldered by Sony. In the first quarter of 2009, SEC and Sony agreed to lower the network support fees to be 0.45%. Effective April 2009, SEC and Sony agreed that the network support fees shall be at a fixed rate of P1.25 million 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 Distributor 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.

- Exclusive Distribution Agreement with Yahgee Modular House Co., Ltd.

SolidGroup Technologies Corporation (SGTC) has an exclusive Distribution Agreement with Yahgee Modular House Co., Ltd., a corporation organized and existing under the laws of the People's Republic of China on June 10, 2011. Under the agreement, SGTC is designated as the exclusive distributor of its products under the MyHouse brand in the Philippines. The agreement is valid for three years. The agreement was renewed on June 10, 2014 for a period of another three years.

- Agreement with Sky Cable Corporation

On May 11, 2012, the Solid Broadband Corporation (SBC) entered into an agreement with Sky Cable Corporation covering the sale, assignment and transfer of its assets, equipment, contracts, permits, licenses and subscriber base of SBC used in the operation of its broadband business. SBC received the amount of P1 billion as consideration for this transaction.

In addition, Sky Cable Corporation assumes to pay SBC all costs and expenses in connection with the use and operation of the assets, until the Company's operation is transferred to Sky Cable Corporation.

- Operating agreement

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 Cable Corporation on June 2, 2015 for the accommodation of the VSAT transactions of Sky Cable Corporation wherein the said transactions will be sold and collected through SBC for a fee of P2 million (inclusive of VAT).

- 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 (See Agreements). After the sale of its assets, SBC's 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

As of December 31, 2015, Zen Tower Corporation is awaiting the approval of the Housing and Land Use Regulatory Board (HLURB) on its license to sell for the Tower 2. It obtained the approval on March 3, 2016.

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 383 regular employees as at December 31, 2015 as shown in the table below. It estimates to have 450 employees by the end of December 31, 2016. There is no existing union as of December 31, 2015. There are no employees who would be on strike nor have been on strike in the past three (3) years, nor are threatening to strike. The Company has no supplemental benefits and incentive arrangements with its employees other than the regular Christmas bonus, thirteenth month pay, performance incentives and leave conversions.

	Number of employees
Management	17
Sales and Distribution	51
Operation	91
Service	87
Administration	89
Finance	48
Total	383

Major Risks involved in the Businesses of the Company

The Company and its subsidiaries identify the major risks of the businesses by assessing the business environment in which they operate. Major risks and threats are addressed through the corporate planning process, which defines appropriate strategic directions and actions to be taken. These directions and actions are managed by regular audit and management review of the operations and financial results of the Company and its subsidiaries. Significant issues, which may arise as a result of the management review, are then presented to the Executive Committee and the Board of Directors for resolution.

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

Item 2. Properties

(B) Description of Property

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

Location	Land Area (in sq. m.)	Current and Intended Use
Laguna International Industrial Park, Binan, Laguna	73,532	Building for lease
La Huerta, Bicutan, Parañaque	18,490	Office building & warehouses for lease
San Dionisio, Parañaque	6,690	Warehouses for lease
San Antonio, Parañaque	4,056	Land (Site of future warehouse)
Valenzuela, Marulas, Bulacan	10,493	Factory and warehouses; Building for lease
Laguna International Industrial Park, Biñan, Laguna	5,141	Building for lease
Pasong Tamo, Makati City	5,000	Hotel and office building
Natividad St., Ermita, Manila	4,506	Condominium tower (For sale)
Osmeña Blvd., Cebu City	3,859	Service center and office building for lease
Outlook Drive, Baguio City	3,846	Land (Intended for sale or lease)
Brgy. Tabuco, Naga City	3,059	Land (Intended for sale)
Tandang Sora, Quezon City	2,511	Land (Future site of the pilot project for modular residential housing units)
Barrio Pantal, Dagupan City	1,918	Land (Intended for lease)
Barrio San Rafael, Iloilo City	1,750	Service center and office building for lease
J. Bocobo St., Ermita, Manila	1,724	Office building and hotel
Brgy. San Roque, San Pablo City	1,714	Service center and office building for lease
Oliveros, Balintawak, Quezon City	1,400	Land (Intended for sale)
Bacoor, Cavite	1,334	Office building for lease
Cabanatuan City, Nueva Ecija	1,212	Service center and building for lease
Brgy. San Rafael, Tarlac, Tarlac	1,000	Building (Intended for lease)
Calamba Premiere Industrial Park	4,176	Industrial/commercial lots for sale
Araneta, Quezon City	1,000	Land (Site of future office building)
Brgy. Parian, Prinza and Barandal, Calamba	132,929	Raw land

Solid Corporation also owns a parcel of land in Brgys. 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 has applied for an amended valuation for P16.4 Million Pesos. Solid Manila Corporation is complying with the documentation requirements as of April 2016.

Solid Manila Corporation also owns a property in Pililla, Rizal with a land area of 645,193 square meters. The Department of Agrarian Reform has informed Solid Manila Corporation that this property is within the coverage of the Comprehensive Agrarian Reform Law which may result in future litigation. Portion of the property that may be subject to future litigation consists of 210,000 square meters. Solid Manila Corporation has filed its opposition with the Provincial Agrarian Reform Adjudication Board (PARAB) on the coverage of the land under agrarian reform. On August 13, 1997, Solid Manila Corporation obtained a certification from the Office of the Municipal Planning and Development Coordinator (Pililla, Rizal) stating that the subject properties belonging to Solid Manila Corporation was reclassified for Agro-industrial & Industrial use as per Sangguniang Bayan Resolution No. 5 dated March 6, 1980 and duly ratified by the government's Housing & Land Use Regulatory Board (HLURB) under their Resolution No. R-42-A-3 series of 1981, which was adopted on February 11, 1981. Thus, according to company's legal counsel, the said properties are exempt from CARP coverage under the provisions of Department of Justice Opinion No. 44. The Company's legal counsel believes that the Board will declare the CARP coverage of the subject properties void since Solid Manila Corporation was clearly denied due process of law. In the meantime, Solid Manila Corporation filed for exemption on January 14, 1999 and said application has been indorsed to Center for Land Use Policy Planning Implementation (CLUPPI)-2 DAR Bureau of Agrarian Legal Affairs on March 8, 1999. Solid Manila Corporation's application for exemption was however subsequently withdrawn. In lieu of the withdrawal, Solid Manila Corporation filed a Protest before the Department of Agrarian Reforms on the Notice of Coverage for TCT Nos. 25264, 25265, 25267, 26578 and 25268. It likewise filed a Petition for Higher Valuation before the Provincial Agrarian Reform Adjudication Board last June 24, 2009 on the lot covered by TCT 25264 which is pending resolution as of April 2016. Solid Manila Corp. was able to secure a retention on the Pillilia lot covered by TCT No. 25265 while the remaining area of around 3 hectares more or less was subjected to the Voluntary Land Transfer Program of the Dept. of Agrarian Reform to the Solid Manila Corporation's recognized farmers-beneficiaries. The Pillilia lots covered by TCT Nos. 25267, 25264 and TCT No. 25268 were likewise subjected to the Voluntary Land Transfer Program by the Dept. of Agrarian Reforms and distributed to the recognized farmer-beneficiaries of Solid Manila Corp. On the Pillilia lot covered by TCT No. 26578, the Regional Director of the Department of Agrarian Reform granted our petition for exemption for TCT No. 26578 on January 30, 2012.

There are two other cases involving certain properties of Solid Manila Corporation. Its titles to the Balintawak, Quezon City property with land area of 31,423 square meters, currently used as a service center and office building, are sought to be annulled in a civil action filed on 25th September, 1990, with the Regional Trial Court Branch 120 on the ground that another title covers the same area claimed by Lilia Sevilla et.al. On July 14, 1995, the in-house counsel assumed the case. On January 20, 2003, the RTC Branch 120 rendered a decision in favor of Lilia Sevilla annulling seven titles of Solid Manila Corporation to wit-- TCT Nos. 12729 up to 12736._SMC filed an appeal with the Court of Appeals. The Company's legal counsel believes that the titles of Solid Manila Corporation will prevail over those of the claimants on the grounds that the titles of the claimants are being sought to be nullified and voided by the government itself. The government's case filed by the Land Registration Authority (which is represented by the Office of the Solicitor General) before the Regional Trial Court (RTC) Branch 122 was for the annulment of claimant's title. Solid Manila Corporation filed an intervention in the government's case despite opposition by Lilia Sevilla et.al. The Court allowed Solid Manila Corporation to intervene in the government's case. Pending the incident of other third party intervenors, the Department of Justice recommended the dismissal of the Register of Deeds (ROD) and Deputy ROD of Caloocan based on inquiry of the antecedent facts of the case. In November 2000, the RTC Branch 122 rendered a decision in favor of the government, thus, nullifying the land titles of Lilia Sevilla et. al. who subsequently appealed the decision of RTC Branch 122 to the Court of Appeals. SMC consolidated these cases as of February 2004. Lilia Sevilla et. al. filed a motion for reconsideration to the Court of Appeals' order consolidating these cases. The Court of Appeals had received the memoranda of the respective parties of Lilia Sevilia, the Government and Solid Manila Corp. and had raffled the case to another division for the promulgation of the decision. On May 5, 2014, a Decision was rendered by the Court of Appeals in Lilia Sevilla vs. Solid Manila Corp. in CA-GR No. 77750 granting Solid Manila Corp.'s appeal, nullifying TCT No. 30374 registered in the name of Lilia Sevilla and validating Solid Manila Corp. titles specifically TCT Nos. 172729, 12730, 12731, 12731, 12733, 12734, 12735 and 12736. The Decision of the Court of Appeals had become final and executory on October 9, 2014 pursuant to an Entry of Judgment issued by the Court of Appeals.

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's remaining business was acting as collecting agent of Sky Cable until the SBC's clients are transferred to the latter.

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

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

Lease agreements

Kita Corporation, a wholly-owned subsidiary of the Company, has entered into lease contracts with Clark Development Corporation

Location	Annual Rent (In Thousand Pesos)	Expiration Date
Clark, Pampanga	7,353*	March, April and August 2019

* With increase after every five years on the lease of land and 10% annual increase on lease of the improvements after the first five years.

The lease contract is renewable upon mutual agreement of the parties.

Also, the Company through its subsidiaries, primarily Solid Manila Corporation and Kita 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 (InThousand Pesos)	Expiration Date
Bacoor, Cavite	3,543	July 31, 2019
Cagayan de Oro	1,940	Various up to October 15, 2016
Clark, Pampanga	37,104	Various up to December 31, 2017
Iloilo	2,281	Various up to October 31, 2016
Laguna International Industrial Park, Biñan, Laguna	24,329	Various up to June 30, 2017
Laguna International Industrial Park, Biñan, Laguna	5,446	January 31, 2016
La Huerta, Bicutan, Parañaque	4,973	Various up to October 31, 2017
Ermita, Manila	22,181	Various up to February 19, 2020
Ermita, Manila	4,164	Various up to December 14, 2017
San Dionisio, Paranaque City	13,099	February 7, 2016
Valenzuela, Bulacan	10,558	Various up to May 31, 2016

Properties the Company intends to acquire in the next twelve months

The Company estimates capital expenditures for the year 2016 to amount to P350 million for various real estate development. The purchase and/or construction of these capital expenditures will be financed primarily through the funds of the Company.

Item 3. Legal Proceedings

(C) Legal Proceedings

Solid Manila Corporation owns a parcel of land with improvements consisting of warehouses, canteen and parking/open area located at Laguna International Industrial Park, Mamplasan, Biñan, Laguna. Solid Manila Corporation entered into a contract of lease with Carina Apparel, Inc. on June 2, 2010 whereby Solid Manila Corporation leased to Carina Apparel, Inc. the said property. On February 20, 2014, Carina Apparel, Inc. failed to pay the monthly rentals for the period April 2013, October 2013 to December 2013, January 2014 to February 2014 for a total amount of P10.43 million. Solid Manila Corporation filed a special civil action for ejectment against Carina Apparel, Inc. under Civil Case No. 110157 with the Metropolitan Trial Court, Makati City, Branch 62. The Court rendered judgment in favor of Solid Manila Corporation on September 26, 2014 and ordered Carinal Apparel, Inc. to vacate the property and peacefully surrender possession to Solid Manila Corporation, pay Solid Manila Corporation the amount of P12.51 million representing rentals in arrears as of March 10, 2014 and P2.07 million as monthly rental starting April 2014 and every month thereafter as reasonable rent or compensation for continued use and occupancy of property until the property is completely restituted to Solid Manila Corporation. With the foregoing Decision becoming final and executory on December 19, 2014, the Metropolitan Trial Court, Makati City Branch 62 issued a notice of levy and sale on all of the personal and office properties of Carinal Apparel, Inc. in the premises of the Laguna property. On January 26, 2015, after a sale by public auction was concluded by the Sheriff, a Certificate of Sale was issued by the Branch Sheriff of the Metropolitan Trial Court, Makati City Branch 62 in favour of Solid Manila Corporation as the highest bidder.

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

E. Directors and Executive Officers

Please see the accompanying Information Statement for a brief summary of the business experience of each director and officer in the last five years.

F. Market Price of and Dividend on the Registrant's Common Equity

Principal Market

The principal market for the registrant's common equity is the Philippine Stock Exchange.

Common Equity

The high and low trading prices of the shares for each quarter within the last two years are as follows:

	High (₱)	Low (₱)
2016		
First quarter	1.22	0.97
2015		
First quarter	1.33	1.15
Second quarter	1.42	1.17
Third quarter	1.48	1.14
Fourth quarter	1.31	1.10
2014		
First quarter	1.28	1.16
Second quarter	2.20	1.20
Third quarter	1.66	1.31
Fourth quarter	1.44	1.13

The Company share was trading at P1.19 as of April 11, 2016 (the latest practicable trading date).

Holders

The number of shareholders of record as of April 30, 2016 was 4,327. Common shares outstanding as of April 30, 2016 were 1,821,542,000 shares. Total issued shares as of April 30, 2016 were 1,821,542,000 shares.

Top 20 stockholders of the Company's common stock as of April 30, 2016:

	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)	364,255,292	20.00
4.	Lim, David S.	179,488,591	9.85
5.	Lim, Vincent S.	71,887,187	3.95
6.	Lim, Jason S.	65,176,160	3.58
7.	Chua, Willington Chua &/or Constantino	11,610,000	0.64
8.	PCD Nominee Corporation (NF)	10,901,800	0.60
9.	Chua, Constantino &/or Willington &/or George	1,750,000	0.10
10.	Hottick Development Corporation	1,408,000	0.08

11.	Chua, Willington	1,110,000	0.06
12.	Paz, Venson	1,065,000	0.06
13.	Lucio W. Yan &/or Clara Yan	1,000,000	0.05
	Columbian Motors Corporation	1,000,000	0.05
14.	Juan Go Yu &/or Grace Chu Yu	940,000	0.05
15.	Ong, Victoria	632,000	0.03
16.	Lim, Julia	590,000	0.03
17.	Juan G. Yu &/or John Philip Yu	580,000	0.03
18.	Castillo Laman Tan Pantaleon & San Jose Law Offices	536,000	0.03
19.	GMA Farms, Inc.	500,000	0.03
	Jacinto, Ray Sy	500,000	0.03
	Suntay, Isabel C.	500,000	0.03
20.	Duca, Elpidio	450,000	0.02

Dividends

In 2015, cash dividend amounted to P0.06 per share payable to stockholders of record as of August 28, 2015 and payable on September 23, 2015. In 2014, cash dividend amounted to P0.06 per share out of the unrestricted retained earnings as of December 31, 2013 in favor of stockholders of record on August 29, 2014 and payable on September 24, 2014.

The Company's retained earnings as of December 31, 2015 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, 2015.

Recent Sales of Unregistered Securities in the Past Three Years

There was no sale of unregistered or exempt securities in 2013 to 2015.

G. Compliance with Corporate Governance Practices

The Company adopted a Manual on Corporate Governance to institutionalize the rules and principles of good corporate governance in accordance with the Code of Corporate Governance promulgated by Securities and Exchange Commission (SEC). Its Manual on Corporate Governance was submitted to the SEC on September 2, 2002 in accordance with SEC Memorandum Circular No. 2 Series of 2002.

Pursuant to the Manual, three Board Committees – Audit, Nomination and Compensation and 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. The company has reelected Mr. Quintin Chua and nominated Ms. Maria G. Goolsby as Independent Directors during the Annual Stockholders' meeting on June 25, 2015. 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. In 2012, the Company, while retaining the services of Punongbayan & Araullo as external auditor, designated a new engagement partner for the audit of the financial statements of the Company beginning the year ending December 31, 2011 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.

A Compliance Officer was appointed in 2002, directly reporting to the Chairman of the Board to monitor compliance with the provisions and requirements of the Manual. The Compliance Officer has established an evaluation system to measure or determine the level of compliance of the Company with its Manual.

The Board of Directors approved the Company's Revised Manual of Corporate Governance in compliance with SEC Memorandum Circular No. 6, Series of 2009 on September 30, 2010. The Company adopted the Revised Manual of Corporate Governance and submitted it to the SEC on September 30, 2010. Also, the Company adopted the Amended Manual on Corporate Governance which was submitted to the SEC on July 25, 2014.

In June 13, 2013, the Board of Directors approved the Audit Committee Charter.

On April 2, 2014, the Board of Directors approved the Revised Code of Business Conduct of the Company.

On August 12, 2014, the Company's Board of Directors approved the following charters: Corporate Governance and Nominations Committee Charter, Compensation or Remuneration Committee Charter and Risk Management Committee Charter.

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 December 28, 2015, the Company submitted the attendance of the Board of Directors for 2015 in compliance with SEC Memorandum Circular No. 1, Series of 2014.

The Company reappointed Punongbayan and Araullo, CPA's as its independent accountant for the year 2015 during the Annual Stockholders' meeting on June 25, 2015.

The Company, its Directors, Officers and Employees complied with all the leading practices and principles on Good Governance as embodied in the Company's Manual. All members of the Board of Directors as well as Senior Management officers completed and were duly certified to have attended a 2-day special seminar on Corporate Governance conducted by Institute of Corporate Directors and a 1-day SEC Revised Code of Corporate Governance conducted by Center for Global Best Practices. On August 10, 2015, the Company's Directors and Officers attended a 1-day special seminar with Risk Opportunities Assessment and Management (ROAM), Inc.

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 is attached as part of this annual report (See Exhibit 29).

H. 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, 2015 and 2014 amounted to P5.517 million and P5.382 million, respectively. Also, audit fees for the amendment of the plan of merger between Solid Manila Corporation and Solid Corporation amounted to P171.7 thousand in 2014 (none in 2015). The audit fee of Grant Thornton for the examination of Fil-Dragon for the years ended December 31, 2015 and 2014 amounted to HK$301,500 and HK$274,000, 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 2015 and 2014.

(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, 2015 and 2014 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 2015 and 2014.

(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.

I. Request for Annual Report on SEC Form 17-A

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

ALL REQUESTS MAY BE SENT TO THE FOLLOWING ADDRESS:

Solid Group, Inc.
2285 Don Chino Roces Avenue Extension,
Makati City, Metro Manila
Attention: Ms. Meline Corpuz

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY) S.S.

SECRETARY'S CERTIFICATE

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

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

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

IN WITNESS WHEREOF, this Certificate was signed and issued this MAY 18 2016 day of May 2016 at Makati City, Philippines.

ANA MARIA A. KATIGBAK
Assistant Corporate Secretary

SUBSCRIBED AND SWORN to before me this MAY 18 2016 at Makati City by affiant whose identity I have confirmed through her Passport No. EB6978724 issued on December 20, 2012 in Manila, bearing the affiant's photograph and signature.

Doc. No. 81;
Page No. 18;
Book No. III;
Series of 2016.

MA. FELORA A. MANGAWANG
NOTARY PUBLIC
ROLL NO. 64804
MAKATI CITY, PHILS.

MA. FELORA A. MANGAWANG
Appointment No. M-458
Notary Public – City of Makati
Until 31 December 2016
Castillo Laman Tan Pantaleon
& San Jose Law Firm
The Valero Tower, 122 Valero Street
Salcedo Village, Makati City
PTR No. 5321582;01-04-2016;Makati City
IBP No. 013749;Makati/Lifetime
Roll No. 64804

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 consolidated financial statements for the years ended December 31, 2015 and 2014, in accordance with Philippine Financial Reporting Standards (PFRS), including the List of supplemental information filed separately from the basic consolidated financial statements.

Management's responsibility on the consolidated financial statements includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the consolidated financial statements, and the additional supplementary information, and submits the same to the stockholders.

Punongbayan & Araullo, the independent auditors appointed by the stockholders, has examined the financial statements of the Group in accordance with Philippine Standards on Auditing, and in its report to the Board of Directors and stockholders, has expressed its opinion on the fairness of presentation upon completion of such examination.

SUSAN L. TAN	DAVID S. LIM	VINCENT S. LIM
Chairman	President & Chief Executive Officer	SVP & Chief Financial Officer
Passport No. EC2411790	Passport No. EB4305124	Passport No. EB5665582
Date/Place Issued:	Date/Place Issued:	Date/Place Issued:
October 14, 2014, Manila	December 20, 2011, Manila	June 15, 2012, Manila

Signed this APR 12 2016 day of ________ 2016.

SUBSCRIBED AND SWORN to before me this APR 12 2016 day of ____________ affiants exhibiting to me their passport with details shown above.

Doc. No. 329
Page No. 67
Book No. 371
Series of 2016.

SHEEN T.M. RAMIREZ
NOTARY PUBLIC
UNTIL DEC. 31, 2017
2134 M. AURORA ST. MAKATI CITY
APPT. NO. M23 (2016 - 2017)
IBP NO. 1009530/CY-2016/9-24-15
ROLL NO. 28947/MCLE-4 NO. 0006324/6-19-12
PTR NO. MKT. 5323578/1-4-16 MAKATI CITY

2285 Don Chino Roces Avenue, 1231 Makati City, Metro Manila, Philippines
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Grant Thornton
An instinct for growth™

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6766 Ayala Avenue
1200 Makati City
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F +63 2 886 5506
grantthornton.com.ph

Report of Independent Auditors

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

We have audited the accompanying consolidated financial statements of Solid Group Inc. and subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2015 and 2014, 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, 2015, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Philippine Financial Reporting Standards, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Solid Group Inc. and subsidiaries as at December 31, 2015 and 2014, and their consolidated financial performance and their consolidated cash flows for each of the three years in the period ended December 31, 2015 in accordance with Philippine Financial Reporting Standards.

PUNONGBAYAN & ARAULLO

By: Mailene Sigue-Bisnar
Partner

CPA Reg. No. 0090230
TIN 120-319-128
PTR No. 5321724, January 4, 2016, Makati City
SEC Group A Accreditation
Partner - No. 0396-AR-3 (until Oct. 15, 2018)
Firm - No. 0002-FR-4 (until Apr. 30, 2018)
BIR AN 08-002511-20-2015 (until Mar. 18, 2018)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2018)

March 28, 2016

SOLID GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2015 AND 2014
(Amounts in Philippine Pesos)

	Notes	2015	2014
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	**P 2,576,733,713**	P 1,623,834,847
Financial assets at fair value through profit or loss	6	**123,008,280**	746,071,954
Trade and other receivables - net	7	**1,278,551,759**	1,438,189,029
Advances to related parties	25	**1,653,330**	28,980,645
Merchandise inventories and supplies - net	9	**866,155,332**	594,629,960
Real estate inventories - net	10	**1,647,230,066**	2,371,682,863
Other current assets	13	**471,456,471**	574,294,025
Total Current Assets		**6,964,788,951**	7,377,683,323
NON-CURRENT ASSETS			
Trade and other receivables	7	**601,637,151**	582,579,966
Available-for-sale financial assets - net	8	**13,836,527**	9,456,527
Property and equipment - net	11	**1,815,172,613**	1,739,229,451
Investment property - net	12	**2,653,219,534**	3,653,879,915
Post-employment benefit asset	21	**117,281,818**	123,066,094
Deferred tax assets - net	22	**166,196,351**	127,125,734
Other non-current assets - net	13	**29,488,729**	44,270,694
Total Non-current Assets		**5,396,832,723**	6,279,608,381
TOTAL ASSETS		**P 12,361,621,674**	P 13,657,291,704

	Notes	2015	2014
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Interest-bearing loans	14	**P 257,142,182**	P 844,408,549
Trade and other payables	15	**636,730,400**	732,391,095
Customers' deposits		**550,935,829**	1,502,205,749
Advances from related parties	25	**73,258,388**	36,873,493
Estimated liability for land and land development costs		**68,304,647**	68,304,647
Income tax payable		**19,922,914**	9,404,626
Total Current Liabilities		**1,606,294,360**	3,193,588,159
NON-CURRENT LIABILITIES			
Refundable deposits	16	**19,022,892**	13,313,947
Post-employment benefit obligation	21	**19,739,454**	20,705,704
Deferred tax liabilities - net	22	**647,717,364**	938,404,585
Total Non-current Liabilities		**686,479,710**	972,424,236
Total Liabilities		**2,292,774,070**	4,166,012,395
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		**(115,614,380)**	(115,614,380)
Revaluation reserves	23	**35,038,173**	21,082,300
Retained earnings	23	**2,967,881,891**	2,590,367,022
Total equity attributable to the Parent Company's stockholders		**9,559,982,606**	9,168,511,864
Non-controlling interests	2	**508,864,998**	322,767,445
Total Equity		**10,068,847,604**	9,491,279,309
TOTAL LIABILITIES AND EQUITY		**P 12,361,621,674**	P 13,657,291,704

See Notes to Consolidated Financial Statements.

SOLID GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013
(Amounts in Philippine Pesos)

	Notes	2015	2014	2013
REVENUES				
Sale of goods	2	P 3,952,750,577	P 4,337,704,615	P 3,513,602,388
Sale of real estate	2	1,788,006,760	28,321,991	113,835,646
Rendering of services	25, 26	532,077,613	453,582,408	414,705,645
Rentals	12, 25, 27	146,091,062	150,962,708	151,962,662
Interest	7, 20, 25	41,920,757	27,085,794	39,263,000
		6,460,846,769	4,997,657,516	4,233,369,341
COSTS OF SALES, REAL ESTATE SALES, SERVICES AND RENTALS				
Cost of sales	17	3,577,153,783	3,854,962,630	2,983,775,449
Cost of real estate sales	17	925,220,490	22,179,971	70,127,647
Cost of services	17	460,303,202	374,197,647	332,503,851
Cost of rentals	12, 17	57,325,823	35,951,543	34,971,661
		5,020,003,298	4,287,291,791	3,421,378,608
GROSS PROFIT		1,440,843,471	710,365,725	811,990,733
OTHER OPERATING EXPENSES (INCOME)				
Selling and distribution costs	18	559,990,238	552,366,111	451,129,327
General and administrative expenses	18	336,954,164	379,815,905	288,610,394
Other operating income	19	(263,024,203)	(86,040,883)	(53,336,385)
		633,920,199	846,141,133	686,403,336
OPERATING PROFIT (LOSS)		806,923,272	(135,775,408)	125,587,397
OTHER INCOME (CHARGES) – Net				
Finance income	20	89,517,766	33,194,746	65,909,151
Finance costs	20	(77,005,570)	(112,012,001)	(20,598,454)
Share in net loss of an associate	13	(3,305,718)	-	-
Other gains – net	20	16,058,807	3,182,343	19,524,456
		25,265,285	(75,634,912)	64,835,153
PROFIT (LOSS) BEFORE TAX		832,188,557	(211,410,320)	190,422,550
TAX EXPENSE (INCOME)	22	159,283,615	(22,678,893)	44,903,108
NET PROFIT (LOSS) FOR THE YEAR		P 672,904,942	(P 188,731,427)	P 145,519,442
Net profit (loss) for the year attributable to the:				
Parent Company's stockholders	24	P 486,807,389	(P 121,266,766)	P 157,821,890
Non-controlling interests		186,097,553	(67,464,661)	(12,302,448)
		P 672,904,942	(P 188,731,427)	P 145,519,442
Earnings (loss) per share attributable to the Parent Company's stockholders	24	P 0.27	(P 0.07)	P 0.09

See Notes to Consolidated Financial Statements.

SOLID GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013
(Amounts in Philippine Pesos)

	Notes	2015	2014	2013
NET PROFIT (LOSS) FOR THE YEAR		P 672,904,942	(P 188,731,427)	P 145,519,442
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will be reclassified subsequently to profit or loss:				
Currency exchange differences on translating financial statements of foreign operations	2, 23	14,380,981	(1,325,922)	41,312,873
Fair value gains on available-for-sale financial assets – net	8, 23	1,380,000	220,000	1,461,842
Deferred tax expense on changes in fair value of available-for-sale financial assets	22, 23	(414,000)	(66,000)	(1,156,237)
		15,346,981	(1,171,922)	41,618,478
Item that will not be reclassified subsequently to profit or loss:				
Remeasurement of post-employment defined benefit plan	21, 23	(1,899,376)	54,522,138	7,356,907
Tax income (expense)	22, 23	508,268	(15,481,707)	(2,207,070)
		(1,391,108)	39,040,431	5,149,837
Other comprehensive income – net of tax		13,955,873	37,868,509	46,768,315
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR		P 686,860,815	(P 150,862,918)	P 192,287,757
Total comprehensive income (loss) for the year attributable to:				
Parent Company's stockholders		P 500,763,262	(P 83,398,257)	P 204,590,205
Non-controlling interests		186,097,553	(67,464,661)	(12,302,448)
		P 686,860,815	(P 150,862,918)	P 192,287,757

See Notes to Consolidated Financial Statements.

SOLID GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013
(Amounts in Philippine Pesos)

		Attributable to the Parent Company's Stockholders							
	Notes	Capital Stock	Additional Paid-in Capital	Treasury Shares - at Cost	Revaluation Reserves	Retained Earnings	Total	Non-controlling Interests	Total Equity
Balance at January 1, 2015		P 2,030,975,000	P 4,641,701,922	(P 115,614,380)	P 21,082,300	P 2,590,367,022	P 9,168,511,864	P 322,767,445	P 9,491,279,309
Dividends declared	23	-	-	-	-	(109,292,520)	(109,292,520)	-	(109,292,520)
Total comprehensive income for the year	8, 21, 22	-	-	-	13,955,873	486,807,389	500,763,262	186,097,553	686,860,815
Balance at December 31, 2015	23	**P 2,030,975,000**	**P 4,641,701,922**	**(P 115,614,380)**	**P 35,038,173**	**P 2,967,881,891**	**P 9,559,982,606**	**P 508,864,998**	**P 10,068,847,604**
Balance at January 1, 2014		P 2,030,975,000	P 4,641,701,922	(P 115,614,380)	(P 16,786,209)	P 2,820,926,308	P 9,361,202,641	P 390,232,106	P 9,751,434,747
Dividends declared	23	-	-	-	-	(109,292,520)	(109,292,520)	-	(109,292,520)
Total comprehensive income (loss) for the year	8, 21, 22	-	-	-	37,868,509	(121,266,766)	(83,398,257)	(67,464,661)	(150,862,918)
Balance at December 31, 2014	23	P 2,030,975,000	P 4,641,701,922	(P 115,614,380)	P 21,082,300	P 2,590,367,022	P 9,168,511,864	P 322,767,445	P 9,491,279,309
Balance at January 1, 2013		P 2,030,975,000	P 4,641,701,922	(P 115,614,380)	(P 63,554,524)	P 2,772,396,938	P 9,265,904,956	P 402,534,554	P 9,668,439,510
Dividends declared	23	-	-	-	-	(109,292,520)	(109,292,520)	-	(109,292,520)
Total comprehensive income (loss) for the year	8, 21, 22	-	-	-	46,768,315	157,821,890	204,590,205	(12,302,448)	192,287,757
Balance at December 31, 2013	23	P 2,030,975,000	P 4,641,701,922	(P 115,614,380)	(P 16,786,209)	P 2,820,926,308	P 9,361,202,641	P 390,232,106	P 9,751,434,747

See Notes to Consolidated Financial Statements.

SOLID GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013
(Amounts in Philippine Pesos)

	Notes	2015	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit (loss) before tax		P 832,188,557	(P 211,410,320)	P 190,422,550
Adjustments for:				
Loss (gain) on sale of investment property	12, 19	(138,520,266)	1,766,286	-
Fair value gains on investment property - net	12, 19, 20	(87,747,812)	(52,676,235)	(23,784,336)
Interest income	7, 20, 25	(77,425,436)	(36,349,776)	(81,892,320)
Depreciation and amortization	11, 18	76,013,702	47,575,708	32,328,211
Interest expense	20	59,348,521	58,225,272	2,610,444
Unrealized foreign currency exchange losses (gains) net	20	(32,197,646)	4,662,070	(13,021,649)
Gain on settlement of receivables	7, 20	(19,395,000)		-
Gain on sale of property and equipment	11, 20	(6,685,469)	-	-
Gain on redemption of financial assets at fair value through profit or loss	6, 20	(1,403,189)	(13,689,363)	(1,006,736)
Fair value gain on financial assets at fair value through profit or loss	6, 20	(260,983)	(5,750,303)	(144,292)
Interest amortization on refundable deposits	16, 20	155,895	150,003	388,412
Gain on derecognition of liabilities	15, 20	-	(2,108,461)	(15,825,655)
Impairment losses on available for-sale financial assets	8, 20	-	-	800,000
Operating profit (loss) before working capital changes		604,070,874	(209,605,119)	90,874,629
Increase in trade and other receivables		136,928,058	(162,532,555)	(3,817,099)
Decrease (increase) in advances to related parties		27,327,315	(4,245,206)	(3,102,051)
Decrease (increase) in merchandise inventories and supplies		(271,525,372)	249,615,120	(452,382,192)
Decrease (increase) in real estate inventories		724,452,797	51,553,054	(406,957,264)
Decrease (increase) in other current assets		(134,446,514)	(135,368,972)	(167,417,555)
Decrease (increase) in post-employment benefit asset		4,393,168	(1,801,889)	(5,512,330)
Decrease (increase) in other non current assets		14,781,965	(11,422,535)	(10,616,455)
Increase (decrease) in trade and other payables		(95,816,590)	3,074,796	117,809,349
Increase (decrease) in customers' deposits		(951,269,920)	196,169,183	424,136,901
Increase (decrease) in advances from related parties		36,384,895	(44,450,070)	69,693,744
Increase (decrease) in refundable deposits		5,708,945	(1,813,159)	(918,290)
Increase (decrease) in post-employment benefit obligation		(966,250)	(5,814,974)	10,384,223
Cash generated from (used in) operations		100,023,371	(76,642,326)	(337,824,390)
Interest received		64,967,784	23,727,215	48,564,544
Cash paid for income taxes		(227,272,116)	(33,446,241)	(2,137,686)
Net Cash Used in Operating Activities		(62,280,961)	(86,361,352)	(291,397,532)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from disposal of investment property	12	1,506,509,527	8,035,714	2,461,000
Proceeds from redemption of financial assets at fair value through profit or loss	6	1,016,699,632	1,791,909,515	575,089,899
Acquisitions of financial assets at fair value through profit or loss	6	(391,971,786)	(2,224,255,643)	(868,225,031)
Additions to investment property	12	(279,581,068)	(8,597,740)	(2,083,670)
Acquisitions of property and equipment	11	(152,791,087)	(179,721,034)	(157,777,542)
Interest received	20	35,504,679	9,263,982	33,327,776
Proceeds from disposal of property and equipment	11	7,519,692	-	-
Acquisition of available for-sale financial assets	8	(3,000,000)	(2,000,000)	-
Proceeds from disposal of available for sale financial asset		-	-	2,501,842
Net Cash From (Used in) Investing Activities		1,738,889,589	(605,365,206)	(414,705,726)
Balance carried forward		P 1,676,608,628	(P 691,726,558)	(P 706,103,258)

	Notes	2015	2014	2013
Balance brought forward		**P 1,676,608,628**	(P 691,726,558)	(P 706,103,258)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayments of interest-bearing loans	14	**(587,266,367)**	-	-
Dividends paid	23	**(109,292,520)**	(109,292,520)	(109,292,520)
Interest paid	14	**(59,348,521)**	(58,225,272)	(2,610,444)
Proceeds from availment of interest bearing loans	14	**-**	160,405,635	112,335,992
Net Cash From (Used in) Financing Activities		**(755,907,408)**	(7,112,157)	433,028
Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		**32,197,646**	(4,662,070)	13,021,649
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**952,898,866**	(703,500,785)	(692,648,581)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**1,623,834,847**	2,327,335,632	3,019,984,213
CASH AND CASH EQUIVALENTS AT END OF YEAR		**P 2,576,733,713**	P 1,623,834,847	P 2,327,335,632

Supplemental Information on Non-cash Investing Activities:

In 2014 and 2013, SMC transferred investment properties with a carrying amount of P46.4 million and P386.8 million, respectively, to Property and Equipment account (see Notes 11 and 12).

In 2013, ZTC transferred investment properties with a carrying amount of P5.2 million, previously classified as Investment Property to Real Estate Inventories.

See Notes to Consolidated Financial Statements.

SOLID GROUP INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015, 2014 AND 2013
(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

1.1 Company Background

Solid Group Inc. (SGI or the Parent Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on October 16, 1933.
On February 22, 1982, the SEC approved the extension of SGI's corporate life for another 50 years. 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 ownership interests in the following subsidiaries and associate (the Parent Company and the subsidiaries are collectively referred to herein as "the Group"):

	Percentage of Ownership				
Subsidiaries/Associate	2015	2014	2013	Notes	Nature of Business
Subsidiaries:					
Brilliant Reach Limited (BRL)	**100**	100	100	(a)	Investment holding company
Kita Corporation (Kita)	**100**	100	100		Leasing of real estate properties
Solid Broadband Corporation (SBC)	**100**	100	100		Broadband, cable and satellite services and sale of LCD televisions
Solid Group Technologies Corporation (SGTC)	**100**	100	100		Trading of prefabricated modular house and office units
Precos, Inc. (Precos)	**100**	100	100	(c)	Real estate
Solid Electronics Corporation (SE Corp.)	**100**	100	100		Repair services for audio and video products
Solid Manila Corporation (SMC)	**100**	100	100		Leasing of real estate properties and hotel operations
Casa Bocobo Hotel, Inc. (CBHI)	**100**	100	100	(b)	Hotel operations
Solid Manila Finance, Inc. (SMFI)	**100**	100	100		Financing
Solid Video Corporation (SVC)	**100**	100	100		Trading of professional audio and video equipment
Zen Towers Corporation (ZTC)	**100**	100	100		Real estate
Phil-Nanning Consortium, Inc. (PNCI)	**100**	100	100	(f)	Investment holding company
My Solid Technologies & Devices Corporation (My Solid)	**100**	100	100		Sale of mobile phones, devices and accessories
Omni Solid Services, Inc. (OSSI) [formerly Solid Laguna Corporation (SLC)]	**100**	100	100	(i)	Logistics and assembly of consumer electronics products
MyApp Corporation (MyApp)	**100**	100	-	(h)	Investment holding company
Skyworld Corporation (Skyworld)	**75**	75	75	(b), (c)	Investment holding company
Interstar Holdings Company, Inc. (Interstar)	**73**	73	73	(b), (c)	Investment holding company
Fil-Dragon Real Estate Development, Ltd. (Fil-Dragon)	**51**	51	51	(g)	Real estate
Starworld Corporation (Starworld)	**50**	50	50	(b), (e)	Real estate
Laguna International Industrial Park, Inc. (LIIP)	**50**	50	50	(b), (d)	Real estate
Associate –					
Creative HotHouse Manila, Inc. (CHMI)	**50**	-	-	(j)	Development of mobile application

Notes:

(a) Incorporated and domiciled in the British Virgin Islands
(b) Indirectly owned through SMC
(c) Pre-operating or non-operating
(d) LIIP is 22.5% owned by SMC and 37.5% owned by Interstar
(e) Starworld is 20% owned by SMC and 40% owned by Skyworld
(f) Indirectly owned through Precos
(g) Indirectly owned through PNCI; incorporated and domiciled in the People's Republic of China (PRC)
(h) Incorporated on October 23, 2014; has not yet started commercial operation as of December 31, 2015
(i) On March 19, 2012, the SEC approved the change in corporate name of SLC to OSSI.
(j) Indirectly owned through MyApp; incorporated on February 5, 2015; has not yet started commercial operations as of December 31, 2015

SBC holds a provisional authority, granted by the National Telecommunications Commission, to use its legislative franchise under Republic Act (RA) No. 9116, *An Act Granting Solid Broadband Corporation a Franchise to Construct, Install, Establish, Operate and Maintain Telecommunications Systems throughout the Philippines* (see Note 26.3).

SMFI is subject to the rules and regulations provided under RA No. 8556, *The Financing Company Act of 1998.*

1.2 Status of Operation

(a) Recognition of Real Estate Sales of Fil-Dragon

In prior years, Fil-Dragon started its pre-selling activities in relation to the Golden Hill Project located in Nanning City, Guangxi Province in PRC. However, no real estate sales were recognized, pending the receipt of the certificates of property ownership from the Chinese government. Accordingly, collections from real estate buyers were recognized as part of Customers' Deposits in the consolidated statements of financial position. In 2015, Fil-Dragon has obtained the certificates of property ownership; hence, it recognized real estate sales amounting to ¥242.5 million (P1.8 billion) in the 2015 consolidated statement of income, which represents those that have already reached the Group's revenue recognition threshold of at least 25% collection of the total contract price (see Note 2.15).

(b) Start of Commercial Operations of Green Sun Hotel

On April 1, 2014, the Board of Directors (BOD) and stockholders of SMC approved the amendment to its Articles of Incorporation to include hotel operations in its secondary purpose. The amendment was approved by the SEC on April 4, 2014.

Subsequently, on October 29, 2014, Green Sun Hotel officially started its hotel and related business operations under SMC. The Hotel offers 144 guest rooms, 13 serviced apartments, three penthouse suites, a fashion boutique, three food and beverage outlets, and a function hall situated at 2285 Don Chino Roces Avenue, Makati City. In relation to this, SMC signed an agreement with CBHI for the management of the hotel's properties and operations.

1.3 Other Corporate Information

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

BRL	-	2nd Floor, Abbott Building, P.O. Box 933, Road Town, Tortola, British Virgin Islands
Kita	-	N7175 Gil Puyat Ave. cor. Feati St., Clark Freeport Zone, Clarkfield, Pampanga
OSSI	-	Solid Street, LIIP, Mamplasan, Biñan, Laguna
SMC and CBHI	-	1000 J. Bocobo St., Ermita, Manila
SE Corp.	-	1172 E. delos Santos Avenue, Balintawak, Quezon City
Starworld	-	Bo. Prinza, Calamba City
ZTC	-	1111 Natividad A. Lopez Street, Brgy. 659-A, Zone 79 District 5, Ermita, Manila
PNCI	-	139 Joy St. Balingasa, Quezon City
Fil-Dragon	-	16 Zhujin Road, ASEAN Commercial Park, Nanning City, Guangxi Province, PRC

1.4 Approval for Issuance of Consolidated Financial Statements

The consolidated financial statements of the Group as of and for the year ended December 31, 2015 (including the comparative consolidated financial statements as of December 31, 2014 and for the years ended December 31, 2014 and 2013) were authorized for issue by the Parent Company's BOD on March 28, 2016.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarized below and in the succeeding pages. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of Preparation of Consolidated Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board (IASB), and approved by the Philippine Board of Accountancy.

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

(b) Presentation of Consolidated Financial Statements

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

The Group presents a 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.

(c) *Functional and Presentation Currency*

These consolidated financial statements are presented in Philippine pesos, the Parent Company'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 the Parent Company's functional currency, which is the currency of the primary economic environment in which the Parent Company operates.

2.2 Adoption of New and Amended PFRS

(a) *Effective in 2015 that are Relevant to the Group*

The Group adopted for the first time the following amendment and annual improvements to PFRS, which are mandatorily effective for annual periods beginning on or after July 1, 2014, for its annual reporting period beginning January 1, 2015:

PAS 19 (Amendment)	:	Employee Benefits: Defined Benefit Plans – Employee Contributions
Annual Improvements	:	Annual Improvements to PFRS (2010-2012 Cycle) and PFRS (2011-2013 Cycle)

Discussed below are the relevant information about these amendment and improvements.

(i) PAS 19 (Amendment), *Employee Benefits: Defined Benefit Plans – Employee Contributions.* The amendment clarifies that if the amount of the contributions to defined benefit plans from employees or third parties is dependent on the number of years of service, an entity shall attribute the contributions to periods of service using the same attribution method (i.e., either using the plan's contribution formula or on a straight-line basis) for the gross benefit. The amendment did not have a significant impact on the Group's consolidated financial statements since the Group's defined benefit plan does not require employees or third parties to contribute to the benefit plan.

(ii) Annual Improvements to PFRS. Annual improvements to PFRS (2010-2012 Cycle) and PFRS (2011-2013 Cycle) made minor amendments to a number of PFRS. Among those improvements, the following amendments are relevant to the Group but had no material impact on the Group's consolidated financial statements as these amendments merely clarify the existing requirements:

Annual Improvements to PFRS (2010-2012 Cycle)

- PAS 16 (Amendment), *Property, Plant and Equipment* and PAS 38 (Amendment), *Intangible Assets.* The amendments clarify that when an item of property, plant and equipment and intangible assets is revalued, the gross carrying amount is adjusted in a manner that is consistent with a revaluation of the carrying amount of the asset.

- PAS 24 (Amendment), *Related Party Disclosures.* The amendment clarifies that an entity providing key management services to a reporting entity is deemed to be a related party of the latter. It also clarifies that the information required to be disclosed in the consolidated financial statements are the amounts incurred by the reporting entity for key management personnel services that are provided by a separate management entity and not the amounts of compensation paid or payable by the management entity to its employees or directors.

- PFRS 3 (Amendment), *Business Combinations.* This amendment clarifies that an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity in accordance with PAS 32, *Financial Instruments: Presentation.* It also clarifies that all non-equity contingent consideration should be measured at fair value at the end of each reporting period, with changes in fair value recognized in profit or loss.

- PFRS 8 (Amendment), *Operating Segments.* This amendment requires disclosure of the judgments made by management in applying the aggregation criteria to operating segments. This includes a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics. It further clarifies the requirement to disclose for the reconciliations of segment assets to the entity's assets if that amount is regularly provided to the chief operating decision maker.

Annual Improvements to PFRS (2011-2013 Cycle)

- PAS 40 (Amendment), *Investment Property.* The amendment clarifies the interrelationship of PFRS 3 and PAS 40 in determining the classification of property as an investment property or owner-occupied property, and explicitly requires an entity to use judgment in determining whether the acquisition of an investment property is an acquisition of an asset or a group of asset in accordance with PAS 40 or a business combination in accordance with PFRS 3.

- PFRS 13 (Amendment), *Fair Value Measurement.* The amendment clarifies that the scope of the exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis (the portfolio exception) applies to all contracts within the scope of and accounted for in accordance with PAS 39, *Financial Instruments: Recognition and Measurement*, or PFRS 9, *Financial Instruments*, regardless of whether they meet the definition of financial assets or financial liabilities as defined in PAS 32.

- PFRS 3 (Amendment), *Business Combinations.* It clarifies that PFRS 3 does not apply to the accounting for the formation of any joint arrangement under PFRS 11, *Joint Arrangement*, in the financial statements of the joint arrangement itself.

(b) Effective in 2015 but is not Relevant to the Group

The annual improvement to PFRS 2, *Share-based Payment*, is mandatory for accounting periods beginning on or after July 1, 2014 but is not relevant to the Group's consolidated financial statements.

(c) Effective Subsequent to 2015 but not Adopted Early

There are new PFRS, amendments and annual improvements to existing standards effective for annual periods subsequent to 2015 which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Group's consolidated financial statements:

(i) PAS 1 (Amendment), *Presentation of Financial Statements – Disclosure Initiative* (effective from January 1, 2016). The amendment encourages entities to apply professional judgment in presenting and disclosing information in the financial statements. Accordingly, it clarifies that materiality applies to the whole financial statements and an entity shall not reduce the understandability of the financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions. Moreover, the amendment clarifies that an entity's share of other comprehensive income of associates and joint ventures accounted for using equity method should be presented based on whether or not such other comprehensive income item will subsequently be reclassified to profit or loss. It further clarifies that in determining the order of presenting the notes and disclosures, an entity shall consider the understandability and comparability of the financial statements.

(ii) PAS 16 (Amendment), *Property, Plant and Equipment*, and PAS 38 (Amendment), *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization* (effective from January 1, 2016). The amendment in PAS 16 clarifies that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment. In addition, amendment to PAS 38 introduces a rebuttable presumption that an amortization method that is based on the revenue generated by an activity that includes the use of an intangible asset is not appropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of an intangible asset are highly correlated. The amendment also provides guidance that the expected future reductions in the selling price of an item that was produced using the asset could indicate an expectation of technological or commercial obsolescence of an asset, which may reflect a reduction of the future economic benefits embodied in the asset.

(iii) PAS 16 (Amendment), *Property, Plant and Equipment*, and PAS 41 (Amendment), *Agriculture – Bearer Plants* (effective from January 1, 2016). The amendment defines a bearer plant as a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales. On this basis, bearer plant is now included within the scope of PAS 16 rather than PAS 41, allowing such assets to be accounted for as property, plant and equipment and to be measured after initial recognition at cost or revaluation basis in accordance with PAS 16. The amendment further clarifies that produce growing on bearer plants remains within the scope of PAS 41.

(iv) PAS 27 (Amendment), *Separate Financial Statements – Equity Method in Separate Financial Statements* (effective from January 1, 2016). This amendment introduces a third option which permits an entity to account for its investments in subsidiaries, joint ventures and associates under the equity method in its separate financial statements in addition to the current options of accounting those investments at cost or in accordance with PAS 39 or PFRS 9. As of the end of the reporting period, the Group has no plan to change the accounting policy for its investments in its subsidiaries and an associate.

(v) PFRS 10 (Amendment), *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and PAS 28 (Amendment), *Investments in Associates and Joint Ventures – Investment Entities – Applying the Consolidation Exception* (effective from January 1, 2016). This amendment addresses the concerns that have arisen in the context of applying the consolidation exception for investment entities. It clarifies which subsidiaries of an investment entity are consolidated in accordance with paragraph 32 of PFRS 10 and clarifies whether the exemption to present consolidated financial statements, set out in paragraph 4 of PFRS 10, is available to a parent entity that is a subsidiary of an investment entity. This amendment also permits a non-investment entity investor, when applying the equity method of accounting for an associate or joint venture that is an investment entity, to retain the fair value measurement applied by that investment entity associate or joint venture to its interests in subsidiaries.

(vi) PFRS 10 (Amendment), *Consolidated Financial Statements*, and PAS 28 (Amendment), *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associates or Joint Venture* (effective date deferred indefinitely). The amendment to PFRS 10 requires full recognition in the investor's financial statements of gains or losses arising on the sale or contribution of assets that constitute a business as defined in PFRS 3 between an investor and its associate or joint venture. Accordingly, the partial recognition of gains or losses (i.e., to the extent of the unrelated investor's interests in an associate or joint venture) only applies to those sale of contribution of assets that do not constitute a business. Corresponding amendment has been made to PAS 28 to reflect these changes. In addition, PAS 28 has been amended to clarify that when determining whether assets that are sold or contributed constitute a business, an entity shall consider whether the sale or contribution of those assets is part of multiple arrangements that should be accounted for as a single transaction. In December 2015, the IASB deferred the mandatory effective date of these amendments (i.e., from January 1, 2016) indefinitely.

(vii) PFRS 9 (2014), *Financial Instruments* (effective from January 1, 2018). This new standard on financial instruments will eventually replace PAS 39 and PFRS 9 (2009, 2010 and 2013 versions). This standard contains, among others, the following:

- three principal classification categories for financial assets based on the business model on how an entity is managing its financial instruments;

- an expected loss model in determining impairment of all financial assets that are not measured at fair value through profit or loss (FVTPL), which generally depends on whether there has been a significant increase in credit risk since initial recognition of a financial asset; and,

- a new model on hedge accounting that provides significant improvements principally by aligning hedge accounting more closely with the risk management activities undertaken by entities when hedging their financial and non-financial risk exposures.

In accordance with the financial asset classification principle of PFRS 9 (2014), a financial asset is classified and measured at amortized cost if the asset is held within a business model whose objective is to hold financial assets in order to collect the contractual cash flows that represent solely payments of principal and interest (SPPI) on the principal outstanding. Moreover, a financial asset is classified and subsequently measured at fair value through other comprehensive income if it meets the SPPI criterion and is held in a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets. All other financial assets are measured at FVTPL.

In addition, PFRS 9 (2014) allows entities to make an irrevocable election to present subsequent changes in the fair value of an equity instrument that is not held for trading in other comprehensive income.

The accounting for embedded derivatives in host contracts that are financial assets is simplified by removing the requirement to consider whether or not they are closely related, and, in most arrangements, does not require separation from the host contract.

For liabilities, the standard retains most of the PAS 39 requirements which include amortized cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The amendment also requires changes in the fair value of an entity's own debt instruments caused by changes in its own credit quality to be recognized in other comprehensive income rather than in profit or loss.

Management is currently assessing the impact of PFRS 9 (2014) on the consolidated financial statements of the Group and it will conduct a comprehensive study of the potential impact of this standard prior to its mandatory adoption date to assess the impact of all changes.

(viii) Annual Improvements to PFRS (2012-2014 Cycle) (effective from January 1, 2016). Among the improvements, the following amendments are relevant to the Group but management does not expect these to have material impact on the Group's consolidated financial statements:

- PAS 19 (Amendment), *Employee Benefits*. The amendment clarifies that the currency and term of the high quality corporate bonds which were used to determine the discount rate for post-employment benefit obligations shall be made consistent with the currency and estimated term of the post-employment benefit obligations.

- PFRS 7 (Amendment), *Financial Instruments – Disclosures*. The amendment provides additional guidance to help entities identify the circumstances under which a contract to "service" financial assets is considered to be a continuing involvement in those assets for the purposes of applying the disclosure requirements of PFRS 7. Such circumstances commonly arise when, for example, the servicing is dependent on the amount or timing of cash flows collected from the transferred asset or when a fixed fee is not paid in full due to non-performance of that asset.

2.3 Basis of Consolidation

The Group's consolidated financial statements comprise the accounts of the Parent Company and its subsidiaries as enumerated in Note 1.1, after the elimination of intercompany transactions. All intercompany assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities under the Group are eliminated in full on consolidation. Unrealized profits and losses from intercompany transactions that are recognized in assets are also eliminated in full. Intercompany losses that indicate impairment are recognized in the consolidated financial statements.

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

The Parent Company accounts for its investments in subsidiaries, associate and non-controlling interests (NCI) as follows:

(a) Investments in Subsidiaries

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

The Parent Company reassesess whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of controls indicated above. Accordingly, entities are deconsolidated from the date that control ceases.

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

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

The excess of the consideration transferred, the amount of any NCI in the acquiree and the acquisition-date fair value of any existing equity interest in the acquiree over the acquisition-date fair value of identifiable net assets acquired is recognized as goodwill. If the consideration transferred is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly as gain in profit or loss (see Note 2.13).

(b) Investments in an Associate

An associate is an entity over which the Parent Company is able to exert significant influence but which is neither a subsidiary nor interest in a joint venture. Investments in an associate is initially recognized at cost and subsequently accounted for using the equity method.

Acquired investments in an associate is subject to the purchase method. The purchase method involves the recognition of the acquiree's identifiable assets and liabilities, including contingent liabilities, regardless of whether they were recorded in the financial statements prior to acquisition. Goodwill represents the excess of acquisition cost over the fair value of the Group's share of the identifiable net assets of the acquiree at the date of acquisition. Any goodwill or fair value adjustment attributable to the Group's share in the associate is included in the amount recognized as investment in an associate.

All subsequent changes to the ownership interest in the equity of the associate are recognized in the Group's carrying amount of the investments. Changes resulting from the profit or loss generated by the associate are reported as Share in Net Profit (Loss) of an Associate in the Group's consolidated statement of income.

Impairment loss is provided when there is objective evidence that the investment in an associate will not be recovered (see Note 2.18).

Changes resulting from other comprehensive income of the associate or items recognized directly in the associate's equity are recognized in other comprehensive income or equity of the Group, as applicable. However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognizing its share of those profits only after its share of the profits exceeds the accumulated share of losses that has previously not been recognized.

In computing for the share in net profit or loss of an associate, unrealized gains or losses on transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associate. Where unrealized losses are eliminated, the underlying asset is also tested for impairment from a Group perspective.

Distributions received from the associates are accounted for as a reduction of the carrying value of the investment.

If the investment in an associate is subsequently sold, the Group recognizes in profit or loss the difference between the consideration received and the carrying amount of the investment.

(c) *Transactions with NCI*

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

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

2.4 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's Executive Committee, its chief operating decision-maker. The Executive Committee is responsible for allocating resources and assessing performance of the operating segments.

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

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

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

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

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

2.5 Financial Assets

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

(a) Classification and Measurement of Financial Assets

Financial assets other than those designated and effective as hedging instruments are classified into the following categories: financial assets at FVTPL, loans and receivables, held-to-maturity investments and available-for-sale (AFS) financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired.

Regular purchases and sales of financial assets are recognized on their trade date. All financial assets that are not classified as at FVTPL are initially recognized at fair value plus any directly attributable transaction costs. Financial assets carried at FVTPL are initially recorded at fair value and the related transaction costs are recognized in profit or loss. A more detailed description of the categories of financial assets currently relevant to the Group follows:

(i) Financial Assets at FVTPL

This category includes financial assets that are either classified as held for trading or that meets certain conditions and are designated by the entity to be carried at fair value through profit or loss upon initial recognition. All derivatives fall into this category, except for those designated and effective as hedging instruments. Assets in this category are classified as current if they are either held for trading or are expected to be realized within 12 months from the end of each reporting period.

Financial assets at FVTPL are measured at fair value, and changes therein are recognized in profit or loss. Financial assets (except derivatives and financial instruments originally designated as financial assets at fair value through profit or loss) may be reclassified out of FVTPL category if they are no longer held for the purpose of being sold or repurchased in the near term.

(ii) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except for those with maturities greater than 12 months after the end of each reporting period, which are classified as non-current assets.

The Group's financial assets categorized as loans and receivables are presented as Cash and Cash Equivalents, Trade and Other Receivables (excluding Advances to suppliers), Advances to Related Parties and Refundable deposits, Restricted cash and Cash bond, presented as part of Other Current Assets and Other Non-current Assets accounts, in the consolidated statement of financial position. Cash and cash equivalents are defined as cash on hand, demand deposits and short-term, highly liquid investments with original maturities of three months or less, readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment loss, if any.

(iii) AFS Financial Assets

This category includes non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. They are included in non-current assets presented as Available-for-sale Financial Assets account in the consolidated statement of financial position unless management intends to dispose of the investment within 12 months from the reporting period. The Group's AFS financial assets include proprietary membership club shares, equity securities and corporate bonds.

All financial assets within this category are subsequently measured at fair value, except for equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured which are measured at cost, less impairment loss, if any. Gains and losses are recognized in other comprehensive income, net of any income tax effects, and are reported as part of the Revaluation Reserves account in equity, except for interest and dividend income, impairment losses and foreign exchange differences on monetary assets, which are recognized in profit or loss.

When the financial asset is disposed of or is determined to be impaired, that is, when there is a significant or prolonged decline in the fair value of the security below its cost, the cumulative fair value gains or losses recognized in other comprehensive income is reclassified from equity to profit or loss and is presented as reclassification adjustment within other comprehensive income even though the financial asset has not been derecognized.

(b) Impairment of Financial Assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. The Group recognizes impairment loss based on the category of financial assets as follows:

(i) Carried at Amortized Cost – Loans and Receivables

Impairment loss is provided when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of the agreement. If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the impairment loss is determined as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate or current effective interest rate determined under the contract if the loan has a variable interest rate.

The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognized in profit or loss.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed. The amount of the reversal is recognized in profit or loss.

(ii) Carried at Cost – AFS Financial Assets

If there is objective evidence of impairment for any of the unquoted equity instruments that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and required to be settled by delivery of such an unquoted equity instrument, impairment loss is recognized. The amount of impairment loss is the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

(iii) Carried at Fair Value – AFS Financial Assets

When a decline in the fair value of an AFS financial asset has been recognized in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss – measured as the difference between the acquisition cost (net of any principal repayment and amortization) and current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is reclassified from Revaluation Reserves to profit or loss as a reclassification adjustment even though the financial asset has not been derecognized.

Impairment losses recognized in profit or loss on equity instruments are not reversed through profit or loss. Reversal of impairment losses are recognized in other comprehensive income, except for financial assets that are debt securities which are recognized in profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognized.

(c) Items of Income and Expense Related to Financial Assets

Except for interest income earned by SGI, SMFI, BRL, Starworld and Interstar, which is presented as Interest under the Revenues section of the consolidated statement of income, all income and expenses, including impairment losses, relating to financial assets that are recognized in profit or loss are presented as part of Finance Income or Finance Costs account in the consolidated statement of income, respectively.

Non-compounding interest and other cash flows resulting from holding financial assets are recognized in profit or loss when earned, regardless of how the related carrying amount of financial assets is measured.

(d) Derecognition of Financial Assets

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

2.6 Merchandise Inventories and Supplies

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

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

2.7 Real Estate Inventories

Real estate inventories consist of the following:

(a) Land and Land Development Costs

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

(b) Property Development Costs

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

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

2.8 Other Assets

Other current assets pertain to other resources controlled by the Group as a result of past events. They are recognized in the consolidated financial statements when it is probable that the future economic benefits will flow to the Group and the asset has a cost or value that can be measured reliably.

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

2.9 Property and Equipment

Property and equipment, except land, are carried at acquisition cost or construction cost less subsequent depreciation, amortization and any impairment losses. Land held for use in production or administration is stated at cost less any impairment losses.

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

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

Construction in progress represents properties under construction and is stated at cost. This includes cost of construction, applicable borrowing costs (see Note 2.20) and other direct costs. The account is not depreciated until such time that the assets are completed and available for use.

Leasehold improvements are amortized over the estimated useful lives of the assets from 2 to 15 years or the terms of the relevant leases, whichever is shorter.

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.18).

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

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

2.10 Investment Property

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

Investment property is accounted for under the fair value model. It is revalued annually and is included in the consolidated statement of financial position at its fair value. Fair value is supported by market evidence and is determined by independent appraisers with sufficient experience with respect to both the location and the nature of the investment property (see Note 30.4).

Investment property, which consists mainly of land and improvements and buildings and improvements under operating lease agreements, is initially measured at acquisition cost, including transaction costs.

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

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

For tax purposes, investment property is carried at cost less accumulated depreciation computed on a straight-line basis over the estimated net useful lives of the assets ranging from 11 to 25 years.

2.11 Financial Liabilities

Financial liabilities, which include interest-bearing loans, trade and other payables [excluding output value-added tax (VAT) and other tax-related liabilities, advances from customers and reserve for warranty costs], advances from related parties and refundable deposits, are recognized when the Group becomes a party to the contractual terms of the instrument. All interest-related charges are recognized as an expense in profit or loss under the caption Finance Costs in the consolidated statement of income.

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

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

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

Financial liabilities are classified as current liabilities if payment is due to be settled within one year or less after the reporting period (or in the normal operating cycle of the business, if longer), or the Group does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of reporting period. Otherwise, these are presented as non-current liabilities.

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

2.12 Offsetting Financial Instruments

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

2.13 Business Combinations

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

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

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed (see Note 2.18).

Negative goodwill, which is the excess of the Group's interest in the net fair value of the net identifiable assets acquired over acquisition cost, is charged directly to profit or loss.

For the purpose of impairment testing, goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The cash-generating units or groups of cash-generating units are identified according to operating segment.

Gains and losses on the disposal of an interest in a subsidiary include the carrying amount of goodwill relating to it.

If the business combination is achieved in stages, the acquirer is required to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in profit or loss or other comprehensive income, as appropriate.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

2.14 Provisions and Contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive obligation that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pretax rate that reflects market assessments and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the consolidated financial statements. Similarly, possible inflows of economic benefits to the Group that do not yet meet the recognition criteria of an asset are considered contingent assets; hence, are not recognized in the consolidated financial statements. On the other hand, any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

2.15 Revenue and Expense Recognition

Revenue comprises revenue from the sale of goods and the rendering of services measured by reference to the fair value of consideration received or receivable by the Group for goods sold and services rendered, excluding VAT and trade discounts.

Revenue is recognized to the extent that the revenue can be reliably measured; it is probable that future economic benefits will flow to the Group; and, the costs incurred or to be incurred can be measured reliably. In addition, the following specific recognition criteria must also be met before revenue is recognized:

(a) *Rendering of services (other than commission income)* – Revenue is recognized when the performance of contractually agreed services have been substantially rendered.

(b) *Sale of goods (other than sale of real estate)* – Revenue is recognized when the risks and rewards of ownership of the goods have passed to the buyer, i.e., generally when the customer has acknowledged delivery of goods.

(c) *Rentals* – Revenue is recognized on a straight-line basis over the duration of the term of the lease (see Note 2.16).

(d) *Warranty and network support fee (shown as part of Rendering of Services)* – Revenue from warranty is recognized upon actual rendering of in-warranty and out-of-warranty services to the customers. Revenue from network support is accrued monthly based on a fixed amount specified in the service contract as agreed with the customer.

(e) *Sale of real estate* – Revenues from sale of real estate is accounted for using the full accrual method. Under this method, gross profit on sale is fully recognized when: (a) the collectibility of the sales price is reasonably assured; (b) the earnings process is virtually complete; and, (c) the seller does not have a substantial continuing involvement with the subject properties. The collectibility of the sales price is considered reasonably assured when: (a) the related loan documents have been delivered to the banks; or (b) the full down payment comprising a substantial portion (at least 25%) of the contract price is received and the capacity to pay and credit worthiness of buyers have been reasonably established for sales under the deferred cash payment arrangement.

Subsequent cancellations of prior years' real estate sales are deducted from revenues and cost of real estate sales in the year in which such cancellations are made.

If the transaction does not yet qualify as a sale, the deposit method is applied until all conditions for recording the sale are met. Pending the recognition of sale, payments received from buyers are presented under the Customers' Deposits account in the liabilities section of the consolidated statement of financial position.

Cost of real estate sales is recognized consistent with the revenue recognition method applied. Cost of real estate property sold before completion of the development is determined on the basis of the acquisition cost of the land plus its full development costs, which include estimated costs for future development, as determined by technical staff. The estimated future expenditures for the development of the real estate property for sale are shown under the Estimated Liability for Land and Land Development Costs account in the consolidated statement of financial position.

(f) *Interest income on loans receivables* – Revenue is recognized as the interest accrues using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(g) *Commission income (shown as part of rendering of services)* – Revenue is recognized on an accrual basis computed based on a certain percentage of sales.

(h) *Increase in cash surrender value of life insurance* – Revenue is recognized when the increase in cash surrender value occurs and becomes determinable.

(i) *Service charges and penalties* – Revenue is generally recognized on an accrual basis when the service has been provided and when there is reasonable degree of certainty as to their collectibility.

(j) *Interest income on cash and cash equivalents* – Revenue is recognized as the interest accrues taking into account the effective yield on the asset.

Cost and expenses are recognized in the consolidated statement of income upon receipt of the goods or utilization of services or at the date they are incurred. Expenditure for warranties is recognized and charged against the associated provision when the related revenue is recognized. All finance costs are reported in the consolidated statement of income on an accrual basis, except capitalized borrowing costs, which are included as part of the cost of the related qualifying asset (see Note 2.20).

2.16 Leases

The Group accounts for its leases as follows:

(a) *Group as Lessee*

Leases which do not transfer to the Group substantially all the risks and rewards of ownership of the asset are classified as operating leases. Operating lease payments (net of any incentive received from the lessor) are recognized as expense in the consolidated statement of income on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

(b) Group as Lessor

Leases which do not transfer to the lessee substantially all the risks and rewards of ownership of the asset are classified as operating leases. Lease income from operating leases is recognized in the consolidated statement of income on a straight-line basis over the lease term (see Note 2.15).

The Group determines whether an arrangement is, or contains a lease based on the substance of the arrangement. It makes an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

2.17 Foreign Currency Transactions and Translation

(a) Transactions and Balances

The accounting records of the Group, except BRL and Fil-Dragon, are maintained in Philippine pesos. Foreign currency transactions during the period are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates. The accounting records of BRL and Fil-Dragon are maintained in United States (U.S.) dollar and Chinese yuan renminbi (RMB), respectively.

Foreign currency exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of income as part of Finance Income or Finance Costs.

(b) Translation of Financial Statements of Foreign Subsidiaries

The operating results and financial position of BRL and Fil-Dragon are translated to Philippine pesos, the Parent Company's functional and presentation currency, as presented below and in the succeeding page.

(i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;

(ii) Income and expenses for each statement of income account are translated at the monthly average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rates prevailing at the dates of the transactions); and,

(iii) All resulting exchange differences are recognized as a separate component of other comprehensive income under currency exchange differences on translating financial statements of foreign operations, which is included under items that will be reclassified subsequently to profit or loss.

On consolidation, exchange differences arising from the translation of the net investments in BRL and Fil-Dragon are recognized in other comprehensive income and taken to equity under Revaluation Reserves. When a foreign operation is partially disposed of or sold, such exchange differences are reclassified in the consolidated statement of income as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

The translation of the financial statements into Philippine pesos should not be construed as a representation that the U.S. dollar and Chinese yuan RMB amounts could be converted into Philippine pesos amounts at the translation rates or at any other rates of exchange.

2.18 Impairment of Non-financial Assets

The Group's investment in an associate, property and equipment, investment property 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.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, assets are tested for impairment either individually or at the cash-generating unit level.

Impairment loss is recognized in profit or loss for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amounts which is the higher of its fair value less costs to sell and its value in use. In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. Except for impairment losses on goodwill, an impairment loss is reversed if the asset's or cash generating unit's recoverable amount exceeds its carrying amount.

2.19 Employee Benefits

The Group provides post-employment benefits to employees through a defined benefit plan, as well as defined contribution plans, and other employee benefits which are recognized as follows:

(a) Post-employment Defined Benefit Plan

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Group, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies. The Group's defined benefit post-employment plan covers all regular full-time employees. The pension plan is tax-qualified, non-contributory and administered by a trustee.

The liability recognized in the consolidated statement of financial position for post-employment defined benefit plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by an independent actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows for expected benefit payments using a discount rate derived from the interest rates of a zero coupon government bond as published by the Philippine Dealing and Exchange Corporation, that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability.

Remeasurements, comprising of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions and the return on plan assets (excluding amount included in net interest) are reflected immediately in the consolidated statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they arise. Net interest is calculated by applying the discount rate at the beginning of the period, taking account of any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments. Net interest is reported as part of Other Gains – Net under the Other Income (Charges) – Net account in the consolidated statement of income.

Past-service costs are recognized immediately in profit or loss in the period of a plan amendment and curtailment.

(b) *Post-employment Defined Contribution Plans*

A defined contribution plan is a post-employment plan under which the Group pays fixed contributions into an independent entity. The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities and assets may be recognized if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short term nature.

(c) *Termination Benefits*

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of when it can no longer withdraw the offer of such benefits and when it recognizes costs for a restructuring that is within the scope of PAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(d) Profit-sharing and Bonus Plans

The Group recognizes a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Group's shareholders after certain adjustments. The Group recognizes a provision where it is contractually obliged to pay the benefits, or where there is a past practice that has created a constructive obligation.

(e) Compensated Absences

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of the reporting period. They are included in Trade and Other Payables account in the consolidated statement of financial position at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

2.20 Borrowing Costs

Borrowing costs are recognized as expenses in the period in which they are incurred, except to the extent that they are capitalized. Borrowing costs that are attributable to the acquisition, construction or production of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of cost of such asset. The capitalization of borrowing costs commences when expenditures for the asset and borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when substantially all such activities are complete.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

For income tax purposes, interest and other borrowing costs are charged to expense when incurred.

2.21 Income Taxes

Tax expense recognized in the consolidated statement of income comprises the sum of current tax and deferred tax not recognized in other comprehensive income or directly in equity, if any.

Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the end of the reporting period. They are calculated using the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in the consolidated statement of income.

Deferred tax is accounted for using the liability method, on temporary differences at the end of each reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carryforward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled provided such tax rates have been enacted or substantively enacted at the end of the reporting period.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. For purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted, that is, when the investment property is depreciable and is held within the business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Deferred tax assets and deferred tax liabilities are offset if the Group has a legally enforceable right to setoff current tax assets against current tax liabilities and the deferred taxes relate to the same entity and the same taxation authority.

2.22 Related Party Transactions and Relationships

Related party transactions are transfers of resources, services or obligations between the Group and its related parties, regardless whether a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Group; (b) associates; (c) individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group and close members of the family of any such individual; and, (d) the Group's funded retirement plan.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

2.23 Equity

Capital stock represents the nominal value of shares that have been issued.

Additional paid-in capital (APIC) includes any premiums received on the initial issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from APIC, net of any related tax benefits.

Treasury shares are stated at the cost of reacquiring such shares and are deducted from equity attributable to the Group's equity holders until the shares are cancelled, reissued or disposed of.

Revaluation reserves comprise the remeasurements of post-employment defined benefit plan, cumulative translation adjustments on financial statements of foreign subsidiaries and unrealized fair value gains (losses) arising from the revaluation of certain AFS financial assets.

Retained earnings represent all current and prior period results of operations as reported in the consolidated statement of income, reduced by the amounts of dividends declared, if any.

NCI represent the portion of net assets and profit or loss not attributable to the Parent Company's stockholders which are presented separately in the Group's consolidated statement of income and consolidated statement of comprehensive income and within equity in the Group's consolidated statement of financial position and consolidated statement of changes in equity.

2.24 Earnings Per Share

Basic earnings (loss) per share 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 earnings (loss) per share 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 (loss) per share is equal to the basic earnings (loss) per share.

2.25 Events After the End of the Reporting Period

Any post-year-end event that provides additional information about the Group's consolidated financial position at the end of the reporting period (adjusting event) is reflected in the consolidated financial statements. Post-year-end events that are not adjusting events, if any, are disclosed when material to the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements in accordance with PFRS requires management to make judgments and estimates that affect amounts reported in the consolidated financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately differ from these estimates.

3.1 Critical Management Judgments in Applying Accounting Policies

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimation, which have the most significant effect on the amounts recognized in the consolidated financial statements:

(a) Revenue Recognition Criteria on Real Estate Sales

The Group recognizes revenues from real estate sales under the full accrual method. Under this method, critical judgment is made by management in determining whether the collectibility of the sales price is reasonably assured. Management considers the collectibility of real estate sales as reasonably assured when: (a) the related loan documents have been delivered to the banks; or (b) the full down payment comprising a substantial portion (at least 25%) of the contract price is received and the capacity to pay and credit worthiness of buyers have been reasonably established for sales under the deferred cash payment arrangement.

(b) Impairment of AFS Financial Assets

The determination when an investment is other-than-temporarily impaired requires significant judgment. In making this judgment, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

Based on the recent evaluation of information and circumstances affecting the Group's AFS financial assets, management concluded that certain assets are permanently impaired as of December 31, 2015 and 2014, as disclosed in Note 8. Future changes in those information and circumstances might significantly affect the carrying amount of the assets.

(c) 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.

(d) Distinction between Investment Property, Owner-occupied Properties and Real Estate Inventories

The Group determines whether a property qualifies as investment property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to the properties but also to other assets used in the production or supply process. On the other hand, real estate inventories are properties intended to be sold in the normal course of business.

(e) Distinction between Operating and Finance Leases

The Group has entered into various lease agreements as either a lessor or lessee. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities. Based on management's judgment, all of the Group's lease agreements were determined to be operating leases.

(f) Recognition of Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition of provision and contingencies are discussed in Note 2.14 and the disclosures on relevant provisions and contingencies are presented in Notes 26 and 27.

3.2 Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period:

(a) Impairment of Trade and Other Receivables and Advances to Related Parties

Adequate amount of allowance for impairment is provided for specific and groups of accounts, where objective evidence of impairment exists. The Group evaluates the amount of allowance for impairment based on available facts and circumstances affecting the collectibility of the accounts, including, but not limited to, the length of the Group's relationship with the counterparties, their current credit status, average age of accounts, collection experience and historical loss experience. The methodology and assumptions used in estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimate and actual loss experience.

The carrying value of trade and other receivables and the analysis of allowance for impairment on such financial assets are shown in Note 7. Meanwhile, there were no impairment losses recognized on advances to related parties for the years ended December 31, 2015, 2014 and 2013 based on management's assessment (see Note 25).

(b) Fair Value Measurement of Financial Instruments

Fair value measurement is generally determined based on quoted prices in active markets. Where active market quotes are not available, management applies valuation techniques to determine the fair value of financial instruments. 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 reporting date.

The carrying values of the Group's financial assets at FVTPL and AFS financial assets and the amounts of fair value changes recognized on those assets are disclosed in Notes 6 and 8, respectively.

(c) 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 9). 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.

(d) Determination of Net Realizable Value of Real Estate Inventories

The Group adjusts the cost of its real estate inventories to net realizable value based on its assessment of the recoverability of real estate inventories. Net realizable value for completed real estate inventories is assessed with reference to market conditions and prices existing at the reporting date and is determined by the Group in the light of recent market transactions. Net realizable value in respect of real estate inventories under construction is assessed with reference to market prices at the reporting date for similar completed property, 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 10.

(e) Estimation of Useful Lives of Property and Equipment

The Group estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment 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 property and equipment are analyzed in Note 11. Based on management's assessment as at December 31, 2015 and 2014, there is no change in the estimated useful lives of property and equipment during those years. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

(f) Fair Value Measurement of Investment Property

The Group's investment property, which consists of parcels of land and improvements and buildings and improvements, are carried at fair value at the end of the reporting period. In determining the fair value of these assets, the Group engages the services of professional and independent appraisers applying the relevant valuation methodologies as discussed in Note 30.4.

For investment properties with appraisals conducted prior to the end of the current reporting period, management determines whether there are significant circumstances during the intervening period that may require adjustments or changes in the disclosure of fair value of those properties.

A significant change in these elements may affect prices and the value of the assets. The amounts of fair value gains recognized on investment property are disclosed in Notes 12 and 19.

(g) Determination of Realizable Amount of Deferred Tax Assets

The Group reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

The carrying value of recognized deferred tax assets, which management assessed may be fully utilized in the coming years, as at December 31, 2015 and 2014 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.

(h) Impairment of Non-financial Assets

In assessing impairment, management estimates the recoverable amount of each asset or a cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see Note 2.18). 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, there were no impairment losses recognized on the Group's non-financial assets in 2015, 2014 and 2013.

(i) Estimating Liability for Land and Land Development Costs

The Group's liability for land and development cost for future development is determined by technical staff based on updated budgets and available information and circumstances, as well as its previous experience. The amount of estimated liability for land and development costs as at December 31, 2015 and 2014 is disclosed in Note 10.

(j) Estimation of Reserve for Warranty Costs

The Group offers warranty, for a period ranging from one to two years, for each consumer electronic product sold. Management estimates the related provision for future warranty costs based on a certain percentage of sales, as determined based on historical warranty claim information as well as recent trends that might suggest that past cost information may differ from expectations. Warranty costs also include the actual cost of materials used in repairing the electronic products.

The amounts of provision for warranty claims recognized and the outstanding balance of Reserve for warranty costs, which is presented as part of Trade and Other Payables account in the consolidated statement 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 present value of the retirement benefit asset and retirement benefit obligation and the analysis of the movements in the present value of the retirement benefit asset and retirement benefit obligation, as well as the significant assumptions used in estimating such asset and obligation are presented in Note 21.2.

4. SEGMENT INFORMATION

4.1 Business Segments

The Group's operating businesses are organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The Group's different business segments are as follows:

(a) Digital mobile devices services is involved in the sale of mobile phones and devices;

(b) Property and building services is involved in the leasing, development and sale of industrial and other real estate properties, sale of prefabricated modular houses and hotel operations;

(c) Technical support and solutions is presently engaged in the business of sale of professional audio and video equipment, after sales services, warehousing and distribution; and,

(d) Investment and others include investment holding companies, and those included in the business of financing and credit extension.

Segment accounting policies are the same as the policies described in Note 2.4.

4.2 Segment Assets and Liabilities

Segment assets include all operating assets used by each business segment and consist principally of operating cash, receivables, inventories and property and equipment, net of allowances and provisions. Similar to segment assets, segment liabilities include all operating liabilities used by each segment and consist principally of accounts, wages, taxes currently payable and accrued liabilities. Segment assets and liabilities do not include deferred taxes.

4.3 Intersegment Transactions

Segment revenues, expenses and performance include sales and purchases between business segments, such sales and purchases are eliminated in the consolidation.

4.4 *Analysis of Segment Information*

The following tables present certain asset and liability information regarding business segments as at December 31, 2015, 2014 and 2013 and the related revenue and profit information for each of the three years in the period ended December 31, 2015 (amounts in thousands).

	Digital Mobile Devices	Property and Building Services	Technical Support and Solutions	Investments and Others	Total
2015					
SEGMENT RESULTS					
Sales to external customers	P 3,527,735	P 2,102,331	P 727,123	P 103,657	P 6,460,846
Intersegment sales	66,280	34,076	29,111	19,014	148,481
Total revenues	3,594,015	2,136,407	756,234	122,671	6,609,327
Cost of sales, services, and rentals	3,216,420	1,059,324	553,014	80,346	4,909,104
Other operating expenses	489,752	224,552	153,953	20,691	888,948
Operating profit (loss)	(112,157)	852,531	49,267	21,634	811,275
Finance income	20,463	57,545	1,977	9,533	89,518
Finance costs	(12,307)	(56,832)	(1,097)	(6,769)	(77,005)
Share in net loss of an associate	-	-	-	(3,306)	(3,306)
Other gains – net	5,246	5,195	4,437	1,181	16,059
Profit (loss) before tax	(98,755)	858,439	54,584	22,273	836,541
Tax expense (income)	(29,309)	167,603	15,737	5,253	159,284
Net profit (loss) for the year	(P 69,446)	P 690,836	P 38,847	P 17,020	P 677,257
SEGMENT ASSETS AND LIABILITIES					
Total assets	P 2,623,032	P 7,207,455	P 930,885	P 8,139,049	P 18,900,421
Total liabilities	P 2,296,969	P 3,145,517	P 338,589	P 359,565	P 6,140,640
OTHER SEGMENT INFORMATION					
Capital expenditures	**P 540**	**P 110,020**	**P 40,544**	**P 247**	**P 151,351**
Depreciation and amortization	**2,474**	**48,827**	**24,259**	**454**	**76,014**
Impariment loss	**11,542**	**20**	**814**	**805**	**13,181**
Other non-cash expenses	**-**	**226,711**	**37,625**	**-**	**264,336**

	Digital Mobile Devices	Property and Building Services	Technical Support and Solutions	Investments and Others	Total
2014					
SEGMENT RESULTS					
Sales to external customers	P 4,060,423	P 257,972	P 601,573	P 77,690	P 4,997,658
Intersegment sales	10,993	25,927	4,875	18,000	59,795
Total revenues	4,071,416	283,899	606,448	95,690	5,057,453
Cost of sales, services, and rentals	3,660,465	164,420	426,358	54,225	4,305,468
Other operating expenses	590,972	134,935	118,634	43,218	887,759
Operating profit (loss)	(180,021)	(15,456)	61,456	(1,753)	(135,774)
Finance income	-	13,709	3,552	15,934	33,195
Finance costs	(45,849)	(56,317)	(4,588)	(5,258)	(112,012)
Other gains – net	2,301	756	-	124	3,181
Profit (loss) before tax	(223,569)	(57,308)	60,420	9,047	(211,410)
Tax expense (income)	(67,089)	24,539	17,848	2,023	(22,679)
Net profit (loss) for the year	(P 156,480)	(P 81,847)	P 42,572	P 7,024	(P 188,731)
SEGMENT ASSETS AND LIABILITIES					
Total assets	P 1,905,277	P 8,519,660	P 720,727	P 9,827,403	P 20,973,067
Total liabilities	P 1,578,938	P 5,054,011	P 159,847	P 474,886	P 7,267,682
OTHER SEGMENT INFORMATION					
Capital expenditures	P 12,782	P 158,589	P 1,102	P 15,846	P 188,319
Depreciation and amortization	7,538	20,113	1,295	18,630	47,576
Impairment loss	10,068	-	-	3,068	13,136
Other non-cash expenses	803	2,476	214	3,085	6,578

	Digital Mobile Devices	Property and Building Services	Technical Support and Solutions	Investments and Others	Total
2013					
SEGMENT RESULTS					
Sales to external customers	P 3,384,311	P 307,640	P 448,659	P 92,759	P 4,233,369
Intersegment sales	28,073	19,393	14,920	17,315	79,701
Total revenues	3,412,384	327,033	463,579	110,074	4,313,070
Cost of sales, services, and rentals	2,897,933	158,890	326,370	51,476	3,434,669
Other operating expenses	514,573	97,535	105,371	37,477	754,956
Operating profit (loss)	(122)	70,608	31,838	21,121	123,445
Finance income	418	24,252	11,570	29,669	65,909
Finance costs	(13,812)	(717)	(3,165)	(2,904)	(20,598)
Other gains – net	1,081	2,384	15,082	977	19,524
Profit (loss) before tax	(12,435)	96,527	55,325	48,863	188,280
Tax expense (income)	(3,597)	23,239	17,187	8,074	44,903
Net profit (loss) for the year	(P 8,838)	P 73,288	P 38,138	P 40,789	P 143,377
SEGMENT ASSETS AND LIABILITIES					
Total assets	P 1,980,138	P 8,261,112	P 674,831	P 10,933,241	P 21,849,322
Total liabilities	P 1,503,020	P 4,702,128	P 168,182	P 660,531	P 7,033,861
OTHER SEGMENT INFORMATION					
Capital expenditures	P 6,913	P 133,321	P 1,178	P 18,449	P 159,861
Depreciation and amortization	5,751	11,942	878	13,758	32,329
Impairment loss	10,158	505	176	2,761	13,600
Other non-cash expenses	24,329	212	-	-	24,541

4.5 Reconciliations

The total segment balances presented for the Group's operating segments reconciled to the Group's consolidated balances as presented in the consolidated financial statements are as follows (amount in thousands):

	Segment Totals	Intercompany Accounts	Consolidated Balances
2015			
Revenues	**P 6,609,327**	**(P 148,481)**	**P 6,460,846**
Net profit for the year	**677,257**	**(4,352)**	**672,905**
Total assets	**18,900,421**	**(6,538,799)**	**12,361,622**
Total liabilities	**6,140,640**	**(3,847,866)**	**2,292,774**
Other segment information:			
Capital expenditures	**151,351**	**-**	**151,351**
Depreciation and amortization	**76,014**	**-**	**76,014**
Impairment losses	**13,181**	**-**	**13,181**
Other non-cash expenses	**264,336**	**-**	**264,336**
2014			
Revenues	P 5,057,453	(P 59,795)	P 4,997,658
Net loss for the year	(188,731)	-	(188,731)
Total assets	20,973,067	(7,315,775)	13,657,292
Total liabilities	7,267,682	(3,101,670)	4,166,012
Other segment information:			
Capital expenditures	188,319	-	188,319
Depreciation and amortization	47,576	-	47,576
Impairment losses	13,136	-	13,136
Other non-cash expenses	6,578	-	6,578
2013			
Revenues	P 4,313,070	(P 79,701)	P 4,233,369
Net profit for the year	143,377	2,142	145,519
Total assets	21,849,322	(8,245,293)	13,604,029
Total liabilities	7,033,861	(3,181,266)	3,852,595
Other segment information:			
Capital expenditures	159,861	-	159,861
Depreciation and amortization	32,329	-	32,329
Impairment losses	13,600	-	13,600
Other non-cash expenses	24,541	-	24,541

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components as at December 31:

	2015	2014
Cash on hand and in banks	**P 741,716,376**	P 353,183,816
Short-term placements	**1,835,017,337**	1,270,651,031
	P 2,576,733,713	P 1,623,834,847

Cash in banks generally earn interest based on daily bank deposit rates. Short-term placements are made for varying periods of between 1 to 90 days and earn annual interests ranging from 0.3% to 2.5% in 2015, 1.0% to 3.9% in 2014 and 1.4% to 4.0% in 2013 (see Note 20.2).

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

This account represents investments in unit investments trust funds (UITF) which have been designated by the management as financial assets at FVTPL upon initial recognition.

The reconciliation of the carrying amounts of these financial assets at the beginning and end of 2015 and 2014 follows:

	Note	2015	2014
Balance at beginning of year		**P 746,071,954**	P 294,286,160
Additions		**391,971,786**	2,224,255,643
Fair value gains	20.2	**260,983**	5,750,303
Redemptions		**(1,015,296,443)**	(1,778,220,152)
Balance at end of year		**P 123,008,280**	P 746,071,954

Financial assets at FVTPL are stated at their fair values which have been determined directly by reference to published prices. As at December 31, 2015 and 2014, the fair value of these financial assets were derived using the net asset value per unit (computed by dividing the net asset value of the fund by the number of outstanding units at the end of the reporting period), as published by banks and the Investment Company Association of the Philippines.

The Group recognized gain on redemption of financial assets at FVTPL amounting to P1.4 million, P13.7 million and P1.0 million in 2015, 2014 and 2013, respectively, and is presented as part of Finance Income under the Other Income (Charges) – Net account in the consolidated statements of income (see Note 20.2).

7. TRADE AND OTHER RECEIVABLES

This account is composed of the following:

	Notes	2015	2014
Current:			
Trade receivables	25.5, 26.1	**P 1,055,902,278**	P 992,576,279
Advances to suppliers	25.5	**209,761,196**	240,813,791
Loans receivables	25.3	**45,980,152**	195,173,248
Rental receivable	25.2	**8,623,413**	10,541,882
Interest receivable		**596,290**	23,643,317
Other receivables		**44,949,005**	49,783,028
		1,365,812,334	1,512,531,545
Allowance for impairment		**(87,260,575)**	(74,342,516)
		1,278,551,759	1,438,189,029
Non-current:			
Trade receivables		**9,061,513**	22,427,768
Loans receivables	25.3	**634,508**	21,832,209
Cash surrender value of investment in life insurance		**591,941,130**	538,319,989
		601,637,151	582,579,966
		P 1,880,188,910	P 2,020,768,995

Trade receivables include amounts due from the Group's real estate buyers arising from the sale of industrial lots and condominium units. The title to the real estate properties remain with the Group until such time that the Group fully collects its receivables from the real estate buyers. Trade receivables from sale of condominium units are measured at amortized cost and bear effective interests ranging from 9.8% to 18.0% depending on the terms of payment (see Note 20.2).

Advances to suppliers mainly include advance payments made by My Solid for future purchases of mobile phone inventories (see Note 25.5). These also include advances made to various contractors for the construction of ZTC's Tri Towers condominium building (see Note 10) and to various suppliers for CBHI's acquisition of supplies.

Interest income recognized on the Group's loans receivables amounted to P10.9 million, P12.4 million and P10.3 million in 2015, 2014 and 2013, respectively, and are presented as part of Interest under the Revenues section of the consolidated statements of income. The effective interest rates on loans receivables range from 7.5% to 30.0% in 2015, 2014 and 2013.

Cash surrender value of investment in life insurance pertains to insurance policies purchased by BRL for certain directors of the Parent Company. The investment in life insurance is 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 income (see Note 19).

The cash surrender value of the investment in life insurance is used as collateral for interest-bearing loans obtained by BRL (see Note 14).

Other receivables consist primarily of unsecured, noninterest-bearing cash advances made to the ZTC's Unit Owners' Association for expenses incurred by the unit owners.

All of the Group's trade and other receivables have been reviewed for indications of impairment. Certain trade and other receivables, which are mostly due from small business customers, were found to be impaired; hence, adequate amount of allowance for impairment has been recognized.

A reconciliation of the allowance for impairment at beginning and end of 2015 and 2014 is shown below.

	Notes	**2015**	2014
Balance at beginning of year		**P 74,342,516**	P 38,692,587
Impairment losses during the year	20.1	**13,180,829**	39,421,272
Reversal of impairment losses	20.2	**(262,770)**	(965,468)
Write-off of receivables previously provided with allowance		**-**	(3,059,152)
Reversal of previously written-off trade and other receivable	20.2	**-**	253,277
Balance at end of year		**P 87,260,575**	P 74,342,516

In 2015, SMC foreclosed certain machineries of one of its lessees in settlement of the latter's outstanding liability to the former amounting to P10.6 million. Such foreclosed machineries were eventually sold by SMC for P30.0 million and recognized gain on settlement of receivables amounting to P19.4 million, which is presented as part of Finance Income in the 2015 consolidated statement of income (see Note 20.2).

Certain loans receivables are secured by real estate properties and shares of stock of the borrowing companies which are owned by a related party (see Note 25.4).

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

This account comprises the following AFS financial assets:

	2015	2014
Current:		
Investments in foreign currency-denominated bonds	**P -**	P 52,237,573
Allowance for impairment	**-**	(52,237,573)
	-	-
Non-current:		
Club shares	**15,852,400**	11,472,400
Equity securities	**8,580,000**	8,580,000
Others	**634,127**	634,127
	25,066,527	20,686,527
Allowance for impairment	**(11,230,000)**	(11,230,000)
	13,836,527	9,456,527
	P 13,836,527	P 9,456,527

A reconciliation of the net carrying amounts of AFS financial assets is shown below.

	Note	2015	2014
Balance at beginning of year		**P 9,456,527**	P 7,236,527
Additions		**3,000,000**	2,000,000
Fair value gains	23.3	**1,380,000**	220,000
Balance at end of year		**P 13,836,527**	P 9,456,527

Investment in equity securities pertains to the Parent Company's 33% ownership interest in the common stock of Sony Philippines, Inc. (SPI). The Joint Venture Agreement (JVA) executed in 1997 with Sony Corporation of Japan covering the Parent Company's investment in SPI expired on May 8, 2005. On April 11, 2005, the Parent Company received a formal notice of the expiry of the JVA. The Parent Company and Sony Corporation have both agreed to pursue negotiations for an equitable settlement of all matters relating to the JVA and its expiration.

As a result of the above events, the Parent Company determined that it no longer has significant influence over the investee company. Consequently, it reclassified its remaining investment in shares of stock of SPI with total cost of P8.6 million to AFS financial assets in 2005.

The Group's management has determined that there is an objective evidence that the decline in the fair values of SPI shares and of some of its club shares is permanent. Such evaluation was based on the significant downturn in the business operations of SPI and the prolonged decline in the market value of the Group's club shares. Accordingly, the Group recognized impairment losses on the SPI shares and such club shares in prior years. As at December 31, 2015 and 2014, the Parent Company's investment in SPI is fully provided with allowance for impairment losses. There were no additional impairment losses recognized on other available-for-sale financial assets in 2015 and 2014.

The fair values of the Group's investments in club shares, which represent proprietary membership club shares, as at December 31, 2015 and 2014 have been determined directly by reference to published prices in active markets (see Note 30.2).

9. MERCHANDISE INVENTORIES AND SUPPLIES

The details of this account are shown below.

	Notes	**2015**	2014
Merchandise inventories	17.1	**P 896,356,985**	P 656,074,999
Service parts, supplies and others	25.1	**32,390,880**	40,180,389
		928,747,865	696,255,388
Allowance for inventory obsolescence		**(62,592,533)**	(101,625,428)
		P 866,155,332	P 594,629,960

The movements in the allowance for inventory obsolescence are as follows:

	Notes	**2015**	2014
Balance at beginning of year		**P 101,625,428**	P 64,316,654
Provisions for inventory obsolescence	17.1, 18	**3,408,760**	39,178,193
Write-off of inventory previously provided with allowance		**-**	(1,477,160)
Reversal of allowance for inventory obsolescence	17.1, 18	**(42,441,655)**	(392,259)
		P 62,592,533	P 101,625,428

The Group has no outstanding purchase commitment for the acquisition of merchandise inventories and supplies as at December 31, 2015 and 2014.

10. REAL ESTATE INVENTORIES

This account is composed of:

	2015	2014
Land and land development costs:		
Land	**P 4,265,299**	P 9,725,593
Land development costs	**421,365,404**	438,069,675
	425,630,703	447,795,268
Allowance for impairment	**(2,022,800)**	(2,022,800)
	423,607,903	445,772,468
Property development costs – Construction in progress and development costs	**1,223,622,163**	1,925,910,395
	P1,647,230,066	P 2,371,682,863

Land and land development costs pertain to cost of land and related improvements, held by Starworld and LIIP, which are held for sale. Property development costs pertain to the cost of land used as a building site and the accumulated construction costs of the condominium building project being developed by ZTC and Fil-Dragon, which are also for sale.

Borrowing costs incurred from loans availed of by Fil-Dragon were capitalized as part of Property development costs. Borrowing costs incurred in 2013 relating to these loans amounted to ¥6.8 million (P46.9 million) and are capitalized as part of Real Estate Inventories in the 2013 consolidated statement of financial position (see Notes 14 and 25.7). No borrowing cost was capitalized in 2015 and 2014 as the development has already been completed.

The allowance for impairment recognized in prior years pertains to the estimated cost of parcels of land and land development costs which may not be fully realized as a result of the Group's long-outstanding claims against the seller for the transfer of title to the name of LIIP. There were no additional impairment losses recognized in 2015, 2014 and 2013.

Under its registration with the Board of Investments, Starworld shall develop 118 hectares of land in its development project located in Calamba Premiere International Park (CPIP) in Bo. Prinza, Calamba City, Laguna. As at December 31, 2015 and 2014, lot areas totaling 83 hectares (65 hectares for Phase 1 and 18 hectares for Phase 2) were acquired and fully developed.

The Group, through ZTC, has initiated the planning and construction of the Tri Towers condominium building (see Notes 27.4 and 27.5). The construction was started by SMC in 2005. The accumulated construction costs (including cost of the land) were eventually transferred to ZTC. The construction of Tower 1 and Tower 2 was completed in 2008 and 2012, respectively, while the construction of Tower 3 has not yet started as of December 31, 2015.

In addition, the balances of Property development costs as of December 31, 2015 and 2014 include costs incurred in the construction of the Group's Golden Hill Project through Fil-Dragon (see Note 27.6). The Golden Hill Project involves the development of multi-storey residential and commercial condominium units within the ASEAN Commercial Park in Nanning City, Guangxi Province, PRC. In 2010, Fil-Dragon has obtained sales permit for selling the property from the local government of the PRC. Customer deposits received as at December 31, 2015 and 2014 amounted to P538.7 million (¥74.6 million) and P1,436.6 million (¥199.9 million), respectively, and are shown as part of Customers' Deposits in the consolidated statements of financial position.

There were no movements in the Estimated Liability for Land and Land Development Costs account in 2015 and 2014 which was established for the fulfilment of Starworld's projects in the development and marketing of CPIP (see Note 27.3).

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 2015 and 2014 are shown below.

	Land	Buildings and Improvements	Machinery and Equipment	Furniture, Fixtures and Office Equipment	Transportation Equipment	Test, Communication and Other Equipment	Computer System	Leasehold Improvements	Tools and Equipment	Construction in Progress	Total
December 31, 2015											
Cost	P 1,277,854,682	P 352,874,436	P 129,719,241	P 193,871,092	P 113,276,561	P 9,747,050	P 70,705,200	P 88,589,364	P 52,774,064	P 76,494,236	P 2,365,905,926
Accumulated depreciation and amortization	-	(52,396,919)	(53,606,685)	(148,002,053)	(78,333,799)	(9,030,818)	(68,488,935)	(73,032,427)	(32,841,677)	-	(515,733,313)
Accumulated impairment losses	-	(35,000,000)	-	-	-	-	-	-	-	-	(35,000,000)
Net carrying amount	P 1,277,854,682	P 265,477,517	P 76,112,556	P 45,869,039	P 34,942,762	P 716,232	P 2,216,265	P 15,556,937	P 19,932,387	P 76,494,236	P 1,815,172,613
December 31, 2014											
Cost	P 1,277,854,682	P 323,788,521	P 124,527,734	P 199,360,565	P 120,963,265	P 103,495,972	P 68,538,753	P 83,853,786	P 45,171,444	P 10,654,183	P 2,358,208,905
Accumulated depreciation and amortization	-	(35,912,391)	(36,852,590)	(148,595,553)	(97,538,721)	(102,812,248)	(67,972,327)	(66,771,863)	(27,523,761)	-	(583,979,454)
Accumulated impairment losses	-	(35,000,000)	-	-	-	-	-	-	-	-	(35,000,000)
Net carrying amount	P 1,277,854,682	P 252,876,130	P 87,675,144	P 50,765,012	P 23,424,544	P 683,724	P 566,426	P 17,081,923	P 17,647,683	P 10,654,183	P 1,739,229,451
January 1, 2014											
Cost	P 1,207,854,682	P 155,408,061	P 46,032,938	P 154,774,686	P 109,596,633	P 103,054,255	P 68,158,644	P 80,393,594	P 29,038,254	P 177,773,048	P 2,132,084,795
Accumulated depreciation and amortization	-	(30,678,741)	(30,703,750)	(136,263,157)	(89,006,051)	(101,851,777)	(67,254,980)	(56,402,307)	(24,242,983)	-	(536,403,746)
Accumulated impairment losses	-	(35,000,000)	-	-	-	-	-	-	-	-	(35,000,000)
Net carrying amount	P 1,207,854,682	P 89,729,320	P 15,329,188	P 18,511,529	P 20,590,582	P 1,202,478	P 903,664	P 23,991,287	P 4,795,271	P 177,773,048	P 1,560,681,049

A reconciliation of the carrying amounts at the beginning and end of 2015 and 2014 of property and equipment is shown below.

	Land	Buildings and Improvements	Machinery and Equipment	Furniture, Fixtures and Office Equipment	Transportation Equipment	Test, Communication and Other Equipment	Computer System	Leasehold Improvements	Tools and Equipment	Construction in Progress	Total
Balance at January 1, 2015 net of accumulated depreciation, amortization and impairment losses	P 1,277,854,682	P 252,876,130	P 87,675,144	P 50,765,012	P 23,424,544	P 683,724	P 566,426	P 17,081,923	P 17,647,683	P 10,654,183	P 1,739,229,451
Additions	-	29,085,915	5,191,507	11,494,969	23,871,798	604,362	2,166,447	4,735,578	9,800,458	65,840,053	152,791,087
Disposals – net	-	-	-	(617,317)	(112,551)	(83,898)	-	-	(20,457)	-	(834,223)
Depreciation and amortization charges for the year	-	(16,484,528)	(16,754,095)	(15,773,625)	(12,241,029)	(487,956)	(516,608)	(6,260,564)	(7,495,297)	-	(76,013,702)
Balance at December 31, 2015 net of accumulated depreciation, amortization and impairment losses	**P 1,277,854,682**	**P 265,477,517**	**P 76,112,556**	**P 45,869,039**	**P 34,942,762**	**P 716,232**	**P 2,216,265**	**P 15,556,937**	**P 19,932,387**	**P 76,494,236**	**P 1,815,172,613**
Balance at January 1, 2014 net of accumulated depreciation, amortization and impairment losses	P 1,207,854,682	P 89,729,320	P 15,329,188	P 18,511,529	P 20,590,582	P 1,202,478	P 903,664	P 23,991,287	P 4,795,271	P 177,773,048	P 1,560,681,049
Additions	-	93,101,118	33,979,607	20,663,067	11,366,632	441,717	380,109	3,460,192	11,668,904	4,659,688	179,721,034
Reclassification (see Note 12)	70,000,000	75,279,342	44,515,189	23,922,812	-	-	-	-	4,464,286	(171,778,553)	46,403,076
Depreciation and amortization charges for the year	-	(5,233,650)	(6,148,840)	(12,332,396)	(8,532,670)	(960,471)	(717,347)	(10,369,556)	(3,280,778)	-	(47,575,708)
Balance at December 31, 2014 net of accumulated depreciation, amortization and impairment losses	P 1,277,854,682	P 252,876,130	P 87,675,144	P 50,765,012	P 23,424,544	P 683,724	P 566,426	P 17,081,923	P 17,647,683	P 10,654,183	P 1,739,229,451

In 2014, the Group transferred certain land and building improvements from Investment Property to Property and Equipment as the Group intends to use such properties for the expansion of the Group's hotel operations. The amount recognized as deemed cost represents the fair value of the properties at the time of transfers (see Note 12). There was no similar transaction in 2015.

Construction in progress in prior years pertains to the construction of the Green Sun Hotel of SMC. Construction was completed in 2014 and, accordingly, amounts have been reclassified to the appropriate accounts. Further, construction in progress also includes costs incurred for the acquisition of furniture and fixtures and machinery and equipment which are not yet available for use.

No additional impairment losses were recognized in 2015, 2014 and 2013 based on management's assessment.

In 2015, the Group recognized a gain on disposal of certain property and equipment totaling P6.7 million (see Note 20.3).

The amount of depreciation and amortization computed on property and equipment is presented as part of the following accounts:

	Notes	**2015**	2014	2013
Cost of services	17.2	**P 46,974,521**	P 21,794,967	P 13,860,376
Cost of rentals	17.3	**1,903,617**	1,623,687	2,199,631
General and administrative expenses		**27,135,564**	24,157,054	16,268,204
	18	**P 76,013,702**	P 47,575,708	P 32,328,211

There were no restrictions on titles and items of property and equipment as at December 31, 2015 and 2014.

Fully depreciated property and equipment still in use in the Group's operations amounted to P227.6 million and P146.3 million as at December 31, 2015 and 2014, respectively.

12. INVESTMENT PROPERTY

The Group's investment property, which is accounted for under the fair value method, consists mainly of land and improvements and buildings and improvements that are held under operating lease agreements. These properties earn rental income, presented as Rentals in the consolidated statements of income and incur direct costs such as real property taxes, repairs and maintenance and utilities which are presented as part of Cost of Rentals in the consolidated statements of income (see Note 17.3).

The fair values of the Group's investment property as at December 31, 2015 and 2014 were determined based on appraisal reports dated January 22, 2016 and April 6, 2015, respectively. Management obtains annual appraisal reports on its investment property from independent appraisers (see Note 30.4).

The changes in the carrying amounts of investment property as presented in the consolidated statements of financial position are summarized as follows as of December 31:

	Land and Improvements	Buildings and Improvements	Total
2015:			
Balance at beginning of year	P 3,027,198,507	P 626,681,408	P 3,653,879,915
Fair value gains (loss) on investment property – net (see Note 19)	154,647,375	(66,899,563)	87,747,812
Additions	-	279,581,068	279,581,068
Disposal	(1,331,515,586)	(36,473,675)	(1,367,989,261)
Balance at end of year	**P 1,850,330,296**	**P 802,889,238**	**P 2,653,219,534**
2014:			
Balance at beginning of year	P 2,982,289,350	P 666,521,666	P 3,648,811,016
Fair value gains (loss) on investment property – net (see Note 19)	114,909,157	(62,232,922)	52,676,235
Additions	-	8,597,740	8,597,740
Disposal	-	(9,802,000)	(9,802,000)
Reclassifications from (to) property and equipment	(70,000,000)	23,596,924	(46,403,076)
Balance at end of year	P 3,027,198,507	P 626,681,408	P 3,653,879,915

Certain real estate properties owned by SMC are the subject of litigations brought up by third parties against the subsidiary.

13. OTHER ASSETS

The composition of these accounts as of December 31 is shown below.

	Notes	2015	2014
Current:			
Prepayments		**P 246,852,021**	P 254,525,544
Input VAT – net		**130,023,037**	71,030,015
Creditable withholding taxes		**63,314,432**	209,771,122
Refundable deposits	27.2	**16,630,667**	8,510,304
Advances to contractors		**6,010,562**	4,006,750
Restricted cash		**4,545,963**	16,317,217
Others		**4,079,789**	10,133,073
		471,456,471	574,294,025
Non-current:			
Deferred input VAT		**9,357,332**	26,519,873
Refundable deposits	27.2	**7,741,095**	4,739,045
Land under litigation	12	**4,935,606**	4,935,606
Investment in an associate		**3,194,282**	-
Investment in shares		**1,460,849**	1,375,290
Cash bond		**568,234**	568,234
Deposits to suppliers		**-**	3,661,213
Others		**2,231,331**	2,471,433
		29,488,729	44,270,694
		P 500,945,200	P 618,564,719

Prepayments include prepaid insurance, rentals and other business taxes.

Restricted cash pertains to bank deposits pledged by Fil-Dragon as security in favor of banks and financial institutions in the PRC, which provided mortgage loan to purchasers of properties. Such charges would be released when the certificates for housing ownership are granted to the property purchasers. This deposit earns interest based on daily bank deposit rates (see Note 20.2).

The investment in an associate account represents the carrying amount of investment in CHMI. CHMI was formally established and registered with the SEC on February 5, 2015. The original investment of P6.5 million constitutes 50% of CHMI's outstanding capital stock.

The Group's share in the net loss of CHMI amounted to P3.3 million and presented as Share in Net Loss of an Associate under Other Income (Charges) – Net in the 2015 consolidated statement of income.

The table below presents information on the financial position and performance of the CHMI as of and for the period ended December 31, 2015.

Total assets	P	4,793,824
Total liabilities		3,880,787
Total equity		913,037
Net loss		6,611,436

14. INTEREST-BEARING LOANS

Short-term interest-bearing loans and borrowings as at December 31, 2015 and 2014 are broken down as follows:

	2015			2014		
	USD	**RMB**	**Total in PHP**	USD	RMB	Total in PHP
BRL	$ 2,219,474	¥ -	P 104,683,711	$ 5,273,940	¥ -	P 235,307,381
Fil-Dragon	-	21,100,611	152,458,471	-	84,749,556	609,101,168
	$ 2,219,474	¥ 21,100,611	P 257,142,182	$ 5,273,940	¥ 84,749,556	P 844,408,549

The Group's short-term interest-bearing loans as of December 31, 2015 and 2014 amounting to P257.1 million and P844.4 million, respectively, are denominated in U.S. dollar and Chinese yuan RMB, and are currently due within 12 months after the end of reporting period; hence, classified as part of the Group's current liabilities in the consolidated statements of financial position.

Information relating to significant loan transactions of the Group are as follows:

(a) Loans of BRL

The loans of BRL are secured by the cash surrender value of investment in life insurance (see Note 7). The loans bear interest at prevailing market rates per annum of 1.6% in 2015, 1.4% in 2014 and 1.3% in 2013. Interest expense arising from these loans amounted to P2.7 million, P3.2 million and P2.6 million in 2015, 2014 and 2013, respectively, and is presented as part of Finance Costs in the consolidated statements of income (see Note 20.1).

(b) Loans of Fil-Dragon

In 2011, Fil-Dragon obtained loans denominated in Chinese yuan RMB from companies that are owned by Solid Company Limited (SCL), a shareholder owning 19% of the total shares of Fil-Dragon (see Note 25.7). The loans bear interest at prevailing market rates per annum ranging from 6.0% to 15.0% in 2015, 2014 and 2013. Borrowing costs incurred in 2013 relating to these loans amounted to ¥6.8 million (P46.9 million) and are capitalized as part of Real Estate Inventories (see Notes 10 and 25.7). Borrowing cost incurred in 2015 and 2014 amounting to ¥7.8 million (P56.6 million) and ¥7.6 million (P55.0 million), respectively, is shown as part of Interest expense on interest-bearing loans under Finance Costs account in the 2015 and 2014 consolidated statements of income (see Note 20.1).

The fair value of loans obtained approximates the carrying values since the interest rates are repriced at market rates at the end of the reporting period. As at December 31, 2015 and 2014, the Group is not subjected to any covenants relating to the above loans.

15. TRADE AND OTHER PAYABLES

This account consists of:

	Note	2015	2014
Trade payables	25.1, 25.5	**P 413,087,787**	P 430,716,156
Accrued dealers' incentives		**101,401,648**	94,206,270
Refundable deposits		**18,249,826**	22,462,909
Advances from customers		**16,299,070**	32,504,767
Due to a related party	25.5	**15,588,734**	25,163,043
Accrued expenses		**15,154,393**	51,870,459
Rentals payable		**14,617,857**	16,638,726
Deferred output VAT		**8,252,624**	9,247,138
Withholding taxes payable		**4,647,743**	5,608,783
Output VAT		**3,806,792**	5,890,577
Reserve for warranty costs		**3,253,200**	3,526,235
Retention payable		**1,904,673**	1,709,557
Other payables		**20,466,053**	32,846,475
		P 636,730,400	P 732,391,095

Accrued dealers' incentives pertain to rebates awarded to dealers once certain level of sales were achieved during a particular period.

Accrued expenses include amounts charged for rentals, outside services, salaries and other operating expenses which remained unpaid as at the end of the reporting periods.

The outstanding deferred output VAT arises from the outstanding receivables on the Group's sale of services.

Reserve for warranty costs pertains to amounts recognized by My Solid and SVC for expected warranty claims on products sold based on their past experience of the level of repairs and returns.

The movements in the Reserve for warranty costs account are as follows:

	Notes	2015	2014
Balance at beginning of year		**P 3,526,235**	P 9,290,348
Provisions for warranty claims	18	**902,095**	40,456,455
Actual warranty claims		**(1,175,130)**	(43,066,166)
Reversals	19	**-**	(3,154,402)
Balance at end of year		**P 3,253,200**	P 3,526,235

The Group derecognized certain accrued expenses and other payables amounting to P2.1 million and P15.8 million in 2014 and 2013, respectively, since management believes that the possibility of cash outflows is remote as the purpose for which the liabilities were recognized no longer exists. The related Gain on derecognition of liabilities is presented as part of Other Gains – Net under the Other Income (Charges) – Net section of in the consolidated statements of income (see Note 20.3). There was no similar transaction in 2015.

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.

16. REFUNDABLE DEPOSITS

SMC and Kita have long-term refundable deposits from various tenants amounting to P19.0 million and P13.3 million as at December 31, 2015 and 2014, respectively. The refundable deposits are remeasured at amortized cost using the effective interest ranging from 3.05% to 6.13% at the inception of the lease terms. The interest expense recognized amounting to P0.2 million in 2015 and 2014 and P0.4 million in 2013 is presented as part of Finance Costs in the consolidated statements of income (see Note 20.1).

The non-current refundable deposits is shown as a separate line item under Non-current Liabilities section in the consolidated statements of financial position.

17. COSTS OF SALES, REAL ESTATE SALES, SERVICES AND RENTALS

17.1 Cost of Sales

The details of this account are shown below.

	Notes	**2015**	2014	2013
Merchandise inventories at beginning of year	9	**P 656,074,999**	P 846,213,717	P 406,495,008
Net purchases of merchandise inventories during the year	18, 25.5	**3,856,468,664**	3,626,037,578	3,400,761,914
Goods available for sale		**4,512,543,663**	4,472,251,295	3,807,256,922
Merchandise inventories at end of year	9	**(896,356,985)**	(656,074,999)	(846,213,717)
Net provision (reversal of allowance) for inventory obsolescence	9, 18	**(39,032,895)**	38,785,934	22,732,244
	18	**P 3,577,153,783**	P 3,854,962,230	P 2,983,775,449

17.2 Cost of Services

The following are the breakdown of direct costs and expenses from rendering of services:

	Notes	2015	2014	2013
Materials, supplies and other consumables	25.1	**P 97,147,412**	P 89,083,322	P 75,893,537
Salaries and employee benefits	21.1	**66,314,648**	53,323,404	52,970,338
Service fees	26.3	**60,651,473**	54,224,793	53,624,045
Subcontracting services		**59,894,407**	48,650,916	48,267,737
Outside services		**48,801,512**	35,097,330	31,139,187
Depreciation and amortization	11	**46,974,521**	21,794,967	13,860,376
Rentals	27.2	**25,120,095**	23,145,362	6,941,302
Communication, light and water		**20,844,345**	15,611,204	15,236,009
Transportation and travel		**10,391,314**	13,109,575	1,244,466
Repairs and maintenance		**4,902,902**	6,001,267	7,673,524
Transponder rental and leased line		**-**	-	11,756,596
Others		**19,260,573**	14,155,507	13,896,734
	18	**P 460,303,202**	P 374,197,647	P 332,503,851

17.3 Cost of Rentals

The details of this account are as follows (see Note 12):

	Notes	2015	2014	2013
Taxes and licenses		**P 22,956,318**	P 10,720,113	P 9,337,528
Outside services		**11,826,310**	8,027,405	7,399,654
Repairs and maintenance		**9,314,104**	4,563,745	4,069,623
Rentals	27.2	**7,353,293**	7,353,293	7,353,293
Salaries and employee benefits	21.1	**3,554,777**	1,039,865	999,943
Depreciation and amortization	11	**1,903,617**	1,623,687	2,199,631
Others		**417,404**	2,623,435	3,611,989
	12, 18	**P 57,325,823**	P 35,951,543	P 34,971,661

Others primarily consists of supplies and transportation and travel expenses.

17.4 Cost of Real Estate Sales

The following are the breakdown of direct costs and expenses for sale of real estate:

	Notes	2015	2014	2013
Construction costs	18	**P 836,387,295**	P -	P -
Land and land use rights	18	**44,027,715**	22,179,971	70,127,647
Borrowing costs	14, 18	**36,523,690**	-	-
Miscellaneous		**8,281,790**	-	-
	18	**P 925,220,490**	P 22,179,971	P 70,127,647

18. OPERATING EXPENSES BY NATURE

The details of operating expenses by nature are shown below.

	Notes	2015	2014	2013
Net purchases of merchandise inventories	17.1, 25.5	**P 3,856,468,664**	P 3,626,037,578	P 3,400,761,914
Construction costs	17.4	**836,387,295**	-	-
Subcontracting services		**244,046,046**	207,353,663	126,467,788
Changes in merchandise, finished goods and work-in-process inventories		**(240,281,986)**	190,138,718	(439,718,709)
Salaries and employee benefits	21.1	**225,646,424**	223,808,616	219,517,826
Advertising and promotions		**148,948,033**	140,419,774	167,120,420
Outside services		**148,829,489**	175,321,773	132,939,229
Materials, supplies and other consumables	25.1	**116,310,895**	89,083,322	76,982,915
Depreciation and amortization	11	**76,013,702**	47,575,708	32,328,211
Taxes and licenses		**69,491,359**	81,226,435	42,803,859
Utilities and communication		**67,336,289**	41,254,412	35,505,747
Service fees	26.3	**60,651,473**	54,224,793	53,624,045
Transportation and travel		**52,800,901**	35,983,040	33,565,112
Land and land use rights	17.4	**44,027,715**	22,179,971	70,127,647
Net provision (reversal) for inventory obsolescence	9, 17.1	**(39,032,895)**	38,785,934	22,732,244
Rentals	27.2	**37,486,808**	60,981,507	43,028,069
Borrowing costs	17.4	**36,523,690**	-	-
Repairs and maintenance		**16,419,968**	23,362,447	22,051,837
Provisions for warranty claims	15	**902,095**	40,456,455	34,108,528
Miscellaneous		**157,971,735**	121,279,661	87,171,647
		P 5,916,947,700	P 5,219,473,807	P 4,161,118,329

These expenses are classified in the consolidated statements of income as follows:

	Notes	2015	2014	2013
Cost of sales	17.1	**P 3,577,153,783**	P 3,854,962,630	P 2,983,775,449
Cost of real estate sales	17.4	**925,220,490**	22,179,971	70,127,647
Cost of services	17.2	**460,303,202**	374,197,647	332,503,851
Cost of rentals	17.3	**57,325,823**	35,951,543	34,971,661
Selling and distribution costs		**559,990,238**	552,366,111	451,129,327
General and administrative expenses		**336,954,164**	379,815,905	288,610,394
		P 5,916,947,700	P 5,219,473,807	P 4,161,118,329

19. OTHER OPERATING INCOME

The breakdown of this account is as follows:

	Notes	2015	2014	2013
Gain on sale of investment property	12	**P 138,520,266**	P -	P -
Fair value gains on investment property – net	12	**87,747,812**	52,676,235	23,784,336
Increase in cash surrender value of investment in life insurance	7	**21,921,474**	20,796,230	19,231,829
Common usage service area		**3,732,705**	963,131	-
Reversal of provision for penalty		**1,476,161**	-	-
Reversal of reserve for warranty costs	15	**-**	3,154,402	938,314
Gain on settlement of insurance claims		**-**	-	1,546,124
Miscellaneous		**9,625,785**	8,450,885	7,835,782
		P 263,024,203	P 86,040,883	P 53,336,385

20. OTHER INCOME (CHARGES) – Net

20.1 Finance Costs

This account consists of the following:

	Notes	2015	2014	2013
Interest expense on Interest-bearing loans	14	**P 59,348,521**	P 58,225,272	P 2,610,444
Impairment losses on trade and other receivables	7	**13,180,829**	39,421,272	13,599,854
Foreign currency exchange losses		**493,499**	7,934,423	2,771,014
Interest amortization on refundable deposits	16	**155,895**	150,003	388,412
Loss on write-off of trade receivables		**-**	294,090	326,860
Impairment losses on AFS financial assets	8	**-**	-	800,000
Others		**3,826,826**	5,986,941	101,870
		P 77,005,570	P 112,012,001	P 20,598,454

20.2 Finance Income

This account consists of the following:

	Notes	2015	2014	2013
Interest income from cash and cash equivalents and restricted cash	5, 13	**P 35,504,679**	P 9,263,982	P 33,327,776
Foreign currency exchange gains		**32,691,145**	3,272,353	15,792,663
Gain on settlement of receivables	7	**19,395,000**	-	-
Gain on redemption of financial assets at FVTPL	6	**1,403,189**	13,689,363	1,006,736
Reversal of impairment losses on trade and other receivables	7	**262,770**	965,468	6,336,140
Fair value gains on financial assets at FVTPL	6	**260,983**	5,750,303	144,292
Reversal of previously written-off trade and other receivable	7	**-**	253,277	-
Interest income from financing	7	**-**	-	9,301,544
		P 89,517,766	P 33,194,746	P 65,909,151

Interest income earned by SGI, SMFI, BRL, Starworld, and Interstar from cash and cash equivalents amounting to P26.0 million in 2015, P9.1 million in 2014 and P23.6 million in 2013 are presented as part of Interest account under the Revenues section in the consolidated statements of income, as these were generated from the entities' primary business operations.

20.3 Other Gains – Net

The breakdown of this account is as follows:

	Notes	2015	2014	2013
Gain on sale of property and equipment	11	**P 6,685,469**	P -	P -
Net interest income on retirement benefit asset	21.2	**4,754,859**	1,846,008	1,641,760
Proceeds from litigation claims		**2,532,114**	-	-
Proceeds from insurance		**1,554,837**	-	-
Gain on derecognition of liabilities	15	**-**	2,108,461	15,825,655
Loss on sale of investment property		**-**	(1,766,286)	
Miscellaneous		**531,528**	994,160	2,057,041
		P 16,058,807	P 3,182,343	P 19,524,456

21. EMPLOYEE BENEFITS

21.1 Salaries and Employee Benefits Expense

Expenses recognized for salaries and employee benefits are summarized below (see Notes 25.8 and 25.9).

	Notes	**2015**	2014	2013
Short-term benefits		**P 213,467,517**	P 210,617,881	P 205,531,568
Post-employment benefits	21.2	**12,178,907**	13,190,735	13,986,258
	18	**P 225,646,424**	P 223,808,616	P 219,517,826

These expenses are classified in the consolidated statements of income as follows:

	Notes	**2015**	2014	2013
Cost of services	17.2	**P 66,314,648**	P 53,323,404	P 52,970,338
Cost of rentals	17.3	**3,554,777**	1,039,865	999,943
General and administrative expenses		**149,602,672**	140,737,415	139,718,889
Selling and distribution costs		**6,174,327**	28,707,932	25,828,656
	18	**P 225,646,424**	P 223,808,616	P 219,517,826

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 a trustee bank that is legally separated from the Group. The trustee bank managed the fund in coordination with the Group's management who acts in the best interest of the plan assets and is responsible for setting the investment policies. The post-employment plan covers all regular full-time employees.

The normal retirement age is 60 with a minimum of five years of credited service. The Group's post-employment benefit plan provides retirement benefits ranging from 100% to 115% of the final monthly salary 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 are based on the actuarial valuation reports obtained from an independent actuary in 2015 and 2014.

The components of the retirement benefit asset of SGI and certain subsidiaries at the end of the reporting periods are shown below.

	2015	2014
Fair value of plan assets	**P 187,905,653**	P 186,230,815
Present value of obligation	**(70,623,835)**	(63,164,721)
	P 117,281,818	P 123,066,094

The amounts of the retirement benefit obligation recognized by certain subsidiaries at the end of the reporting periods are shown below.

	2015	2014
Fair value of plan assets	**P 2,463,150**	P -
Present value of obligation	**(22,202,604)**	(20,705,704)
	(P 19,739,454)	(P 20,705,704)

The movements in the present value of the retirement benefit obligation recognized in the books are as follows:

	2015	2014
Balance at beginning of year	**P 83,870,425**	P 94,033,079
Current service costs	**12,178,907**	13,190,735
Interest costs	**3,935,635**	4,846,353
Benefits paid	**(3,431,215)***	(1,592,787)
Remeasurements – actuarial losses (gains) arising from:		
Experience adjustments	**(10,795,456)**	-
Changes in financial assumptions	**6,118,553**	(26,606,955)
Changes in demographic assumptions	**949,590**	-
Balance at end of year	**P 92,826,439**	P 83,870,425

* *This amount includes benefits paid directly by the SEC, OSSI and My Solid amounting to P526,683, P253,200 and P1,920,000, respectively.*

The movements in the fair value of plan assets of the Group are presented below.

	2015	2014
Balance at beginning of year	**P 186,230,815**	P 181,854,959
Interest income	**8,690,494**	9,366,444
Return on plan assets (excluding amounts included in net interest)	**(5,626,689)**	(6,019,977)
Contributions paid into the plan	**1,789,556**	2,622,176
Benefits paid by the plan	**(715,373)**	(1,592,787)
Balance at end of year	**P 190,368,803**	P 186,230,815

The plan assets consist of the following as of December 31:

	2015	2014
Debt securities:		
Philippines government bonds	P 127,122,059	P 155,215,174
Corporate bonds	19,200,688	16,155,433
Mutual funds	25,466,354	4,783,981
UITF	18,759,495	10,076,227
Others	(179,793)	-
	P 190,368,803	P 186,230,815

The fair values of the above debt securities and investments are determined based on quoted market prices in active markets.

UITF and mutual funds are composed of short-term and money-market funds denominated in Philippine peso.

The plan assets earned a net return of P3.1 million, P3.3 million and P12.0 million in 2015, 2014 and 2013, respectively.

Plan assets do not comprise any of the Group's own financial instruments or any of its assets occupied and/or used in its operations.

The components of amounts recognized in profit or loss and in other comprehensive income in respect of the defined benefit post-employment plan are as follows:

	Notes	2015	2014	2013
Reported in consolidated statements of income:				
Current service cost	21.1	P 12,178,907	P 13,190,735	P 13,986,258
Net interest income	20.3	(4,754,859)	(1,846,008)	(1,641,760)
		P 7,424,048	P 11,344,727	P 12,344,498
Reported in consolidated statements of comprehensive income:				
Actuarial gains (losses) from:				
Changes in experience adjustments		P 10,795,456	P -	P 13,751,877
Financial assumptions		(6,118,553)	26,606,955	(3,374,665)
Changes in demographic assumption		(949,590)	-	-
Return on plan assets (excluding amounts included in net interest)		(5,626,689)	(6,019,977)	1,787,287
Effect of asset ceiling		-	33,935,160	(4,807,592)
		(P 1,899,376)	P 54,522,138	P 7,356,907

Current service cost is presented as part of salaries and employee benefit account under the General and Administrative Expenses account in the consolidated statements of income (see Note 18).

The net interest income is included in Other Gains – Net account in the consolidated statements of income (see Note 20.3). Amounts recognized in other comprehensive income, net of tax, were classified within items that will not be reclassified subsequently to profit or loss in the consolidated statements of comprehensive income.

For determination of the post-employment benefit obligation, the following actuarial assumptions were used:

	2015	2014	2013
Discount rates	**5.0% - 5.4%**	3.5% - 5.5%	4.0% - 5.0%
Salary increases rate	**8.00%**	7.00%	9.00%

Assumptions regarding future mortality are based on published statistics and mortality tables. The average remaining working lives of employees before retirement at the age of 60 ranges from 3.5 to 35 years for males and 10 to 35 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 bonds will increase the plan obligation. However, this will be partially offset by an increase in the return on the plan's investments in debt securities and if the return on plan asset falls below this rate, it will create a deficit in the plan. Currently, the plan has generally concentrated on investment in debt securities, although the Group also invests in UITF and mutual funds.

(ii) Longevity and Salary Risks

The present value of the 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 in the succeeding page.

(i) Sensitivity Analysis

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the defined benefit obligation as of December 31, 2015 and 2014:

	Impact on Post-employment Benefit Obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
2015			
Discount rate	**+/- 0.5%**	**(P 6,799,635)**	**P 15,481,564**
Salary increase rate	**+/- 1.0%**	**7,665,630**	**(12,392,184)**
2014			
Discount rate	+/- 1.0%	(P 12,535,944)	P 14,114,556
Salary increase rate	+/- 1.0%	14,301,179	(11,413,997)

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 that long-term investments are in line with the obligations under the retirement scheme. This strategy aims to match the plan assets to the retirement obligations by investing in long-term fixed interest securities (i.e., government or corporate bonds) with maturities that match the benefit payments as they fall due and in the appropriate currency. The Group actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the retirement obligations.

In view of this, investments are made in reasonably diversified portfolio, such that the failure of any single investment would not have a material impact on the overall level of assets. A large portion of the plan assets as at December 31, 2015 and 2014 consists of government and corporate debt securities, although the Group also invests in UITF and mutual funds.

(iii) Funding Arrangements and Expected Contributions

The plan is currently overfunded by P97.5 million based on the latest actuarial valuations.

The Group expects to make contribution of P16.7 million to the plan during the next reporting period.

The maturity profile of undiscounted expected benefit payments from the plan follows:

	2015	2014
Within one year	**P 3,130,910**	P 603,683
More than one year to five years	**5,302,148**	6,217,666
More than five years to 10 years	**50,961,247**	44,111,082
More than 10 years to 15 years	**89,331,834**	96,871,267
More than 15 years to 20 years	**169,887,912**	147,445,343
More than 20 years	**1,838,193,071**	1,431,810,776
	P2,156,807,122	P1,727,059,817

22. TAXES

22.1 Registration with Economic Zone Authorities and Fil-Dragon Taxation

(a) Registration with Clark Development Corporation (CDC)

Kita, a subsidiary, is registered with CDC under RA No. 7227, *The Bases Conversion and Development Act of 1992*, as amended under RA No. 9400, *An Act Amending RA No. 7227, as Amended, Otherwise Known as the Bases Conversion and Development Act of 1992, and for Other Purposes.* As a registered business enterprise within the Clark Freeport Zone, Kita is exempted from national and local taxes and is entitled to tax and duty free importation of raw materials, equipment, household and personal items. In lieu of said taxes, Kita is subject to a 5% preferential tax rate on its registered activities. However, the 30% regular corporate income tax (RCIT) tax rate is applied to income coming from sources other than Kita's registered activities.

(b) Registration with Philippine Economic Zone Authority (PEZA)

SMC is registered with the PEZA as an Ecozone Facilities Enterprise at the Laguna International Industrial Park – Special Economic Zone (LIIP – SEZ). As an Ecozone Facilities Enterprise, SMC shall lease its building in LIIP – SEZ to PEZA-registered export enterprises located therein. SMC is subject to 5% tax on gross income earned on such facilities in lieu of all national and local taxes.

SMC waived its right to avail of the 5% special tax rate on gross income tax for the taxable year ended December 31, 2015. As such, SMC reported all its taxable income in 2015 in accordance with the regular corporate income tax rules under the 1997 Tax Code, as amended, and the related Bureau of Internal Revenue (BIR) rules and regulations.

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.

(c) *Fil-Dragon Taxation*

Pursuant to the relevant laws and regulations in the PRC, Fil-Dragon is subject to PRC corporate income tax of 25% on the estimated assessable profit for the year. No provision has been provided in the consolidated financial statements in 2015, 2014 and 2013 as Fil-Dragon did not generate any assessable profits. In 2015, Fil-Dragon recognized tax expense amounting to P214.5 million (see Note 22.2).

22.2 Current and Deferred Taxes

The components of tax expense (income) as reported in the consolidated statements of income and consolidated statements of comprehensive income are as follows:

	2015	2014	2013
Reported in consolidated statements of income:			
Current tax expense:			
Regular corporate income tax (RCIT) at 30%	**P 252,629,434**	P 23,255,725	P 23,536,894
PRC corporate income tax at 25%	**214,541,027**	-	-
Final taxes at 20% and 7.5%	**11,373,538**	2,118,018	8,592,626
Minimum corporate income tax (MCIT) at 2%	**6,587,196**	10,464,465	11,063,933
Preferential tax at 5%	**2,062,586**	2,317,513	1,921,077
	487,193,781	38,155,721	45,114,530
Deferred tax income relating to origination and reversal of temporary differences	**(327,910,166)**	(60,834,614)	(211,422)
	P 159,283,615	(P 22,678,893)	P 44,903,108
Reported in consolidated statements of comprehensive income:			
Deferred tax expense (income) on remeasurements of defined benefit post-employment obligation	**(P 508,268)**	P 15,481,707	P 2,207,070
Deferred tax expense on changes in fair value of AFS financial assets	**414,000**	66,000	1,156,237
	(P 94,268)	P 15,547,707	P 3,363,307

A reconciliation of tax on pretax profit (loss) computed at the applicable statutory rate to tax expense reported in the consolidated statements of income is shown below.

	2015	2014	2013
Tax on pretax profit (loss) at 30%	**P 249,656,567**	(P 63,423,096)	P 57,126,765
Adjustment for income subjected to lower tax rates	**(14,790,374)**	(6,141,378)	(10,493,932)
Tax effects of:			
Excess of itemized deductions over optional standard deduction	**(133,754,476)**	-	-
Nondeductible expenses and losses	**59,185,631**	32,196,473	3,869,521
Unrecognized deferred tax assets (DTA) from net operating loss carry-over (NOLCO) and MCIT and other temporary differences	**14,295,227**	27,007,912	8,637,590
Nontaxable income	**(7,339,663)**	(4,761,937)	(2,601,399)
Income of foreign subsidiary not subject to taxes	**(7,232,973)**	(6,934,118)	(6,218,370)
Benefit from previously unrecognized NOLCO, MCIT and other temporary differences	**(944,037)**	(1,283,511)	(5,512,277)
Others	**207,713**	660,762	95,210
	P 159,283,615	(P 22,678,893)	P 44,903,108

The net deferred tax assets of certain subsidiaries having a net deferred tax asset position as of December 31 relate to the following:

	2015	2014
Deferred tax assets:		
NOLCO	**P 59,067,267**	P 22,499,960
Accrued expenses	**30,556,450**	32,392,525
MCIT	**27,369,486**	20,338,677
Allowance for impairment on trade and other receivables	**22,814,658**	19,013,913
Allowance for inventory obsolescence	**18,300,158**	30,213,350
Unrealized foreign currency loss (gain)	**4,258,476**	(1,218,530)
Retirement benefit obligation	**2,853,896**	2,827,969
Provision for warranty claims	**975,960**	1,057,870
Deferred tax assets – net	**P 166,196,351**	P 127,125,734

The net deferred tax liabilities of SGI and other subsidiaries which have a net deferred tax liability position as of December 31 relate to the following:

	2015	2014
Deferred tax assets:		
NOLCO	**P 5,183,576**	P 7,017,490
Allowance for impairment on trade and other receivables	**2,359,282**	1,761,507
Unamortized past service costs	**925,584**	1,104,176
Loss on investment in subsidiaries	**838,709**	838,709
Allowance for inventory obsolescence	**312,182**	108,857
MCIT	**91,988**	821,226
Deferred rent expense – PAS 17	**-**	1,362,172
Changes in fair value of AFS financial asset	**-**	174,000
Unearned rent income	**-**	47,083
Deferred tax liabilities:		
Fair value gains on investment property – net	**(466,812,439)**	(756,438,495)
Accumulated depreciation on investment property	**(140,599,874)**	(159,517,857)
Retirement benefit asset	**(31,624,672)**	(33,876,845)
Excess of FV over cost of property	**(14,653,835)**	-
Unrealized foreign currency gains	**(1,812,794)**	(9,313)
Deferred rent income – PAS 17	**(1,685,071)**	(213,036)
Changes in fair value of AFS	**(240,000)**	-
Changes in fair value of financial assets at FVTPL	**-**	(1,584,259)
Deferred tax liabilities – net	**(P 647,717,364)**	(P 938,404,585)

The components of net deferred tax expense (income) reported in the consolidated statements of income are as follows:

	2015	2014	2013
Fair value gains on investment property – net	**(P 289,768,359)**	P 15,802,871	P 3,409,799
NOLCO	**(35,518,264)**	(29,517,450)	(432,914)
Allowance for inventory obsolescence	**11,709,868**	(11,880,671)	(6,654,252)
Unrealized foreign currency gains – net	**(7,634,216)**	(2,775,783)	6,966,359
Accrued expenses	**6,957,200**	(17,788,274)	116,834
Benefits from previously unrecognized MCIT	**(6,456,516)**	(10,063,378)	(10,810,770)
Allowance for impairment on trade and other receivables	**(4,398,520)**	(10,723,596)	(2,081,353)
Accumulated depreciation on investment property	**(1,849,819)**	5,652,610	(253,842)
Retirement benefit obligation (asset)	**(984,648)**	(1,042,378)	4,945,352
Deferred rent income – PAS 17	**(227,395)**	(652,166)	1,717,719
Unamortized past service costs	**178,593**	232,161	321,314
Provision for warranty claims	**81,910**	1,729,126	1,407,090
Changes in fair value of financial assets at FVTPL	**-**	1,584,260	-
Deferred rent expense – PAS 17	**-**	(1,414,138)	1,896,896
Refundable deposits	**-**	22,192	-
Change in fair value of AFS	**-**	-	(1,024,237)
Unearned rent income	**-**	-	210,312
Unamortized pre-operating expenses	**-**	-	54,271
	(P 327,910,166)	(P 60,834,614)	(P 211,422)

The deferred tax expense recognized in the consolidated statements of comprehensive income pertains to the tax effect of the changes in fair value of AFS financial assets and remeasurements of post-employment defined benefit plan (see Note 23.3).

The movements in the Group's NOLCO and MCIT are as follows:

Year	Original Amount	Applied in Previous Years	Applied in Current Year	Expired Balance	Remaining Balance	Valid Until
NOLCO:						
2015	P 99,706,286	P -	P -	P -	P 99,706,286	2018
2014	157,221,922	-	-	-	157,221,922	2017
2013	36,638,281	-	-	-	36,638,281	2016
2012	15,862,462	-	-	15,862,462	-	2015
	P 309,428,951	P	P -	P 15,862,462	P 293,566,489	
MCIT:						
2015	P 6,970,739	P -	P -	P -	P 6,970,739	2018
2014	10,352,997	-	-	-	10,352,997	2017
2013	11,066,107	-	-	-	11,066,107	2016
2012	222,424	-	-	222,424	-	2015
	P 28,612,267	P -	P -	P 222,424	P 28,389,843	

Fil-Dragon has incurred tax losses amounting to P138.5 million (¥19.1 million) and P30.0 million (¥4.3 million) in 2014 and 2013, respectively. Similar to NOLCO, these tax losses can be applied as deductions from future taxable income of Fil-Dragon. The benefits from the tax losses which have expiration of five years, were claimed in 2015.

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.

	2015		2014		2013	
	Amount	Tax Effect	Amount	Tax Effect	Amount	Tax Effect
NOLCO	P 79,397,012	P 23,819,104	P 92,004,878	P 27,601,463	P 70,997,903	P 21,299,371
Unrealized foreign currency gain	(13,297,033)	(3,989,110)	(5,031,816)	(1,509,545)	(13,745,572)	(4,123,672)
Allowance for impairment loss on AFS financial assets	3,809,492	1,142,848	-	-	-	-
Retirement benefit obligation	1,063,827	319,148	2,316,827	695,048	4,686,238	1,405,871
MCIT	928,369	928,369	909,797	909,797	640,139	640,139
Allowance for impairment of trade receivables	165,422	49,627	844,748	253,424	-	-
Allowance for inventory obsolescence	844,748	253,423	165,422	49,627	914,262	274,279
Unearned income	-	-	-	-	1,170,000	351,000
	P 72,911,837	P 22,523,409	P 91,209,856	P 27,999,814	P 64,662,970	P 19,846,988

Except for SMC, the Group opted to claim itemized deductions in computing for its income tax due in 2015, 2014, and 2013. SMC opted to claim optional standard deductions in 2015 while it claimed itemized deductions in 2014 and 2013.

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 SEC 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 consisted of 524,475,000 primary shares (new shares) and 140,525,000 secondary shares (existing shares).

As of December 31, 2015 and 2014, the Parent Company has issued shares of 2,030,975,000 (with P1 par value), of which, 395,965,704 and 394,465,704 shares are held by the public, respectively. There are 4,366 and 4,415 holders of the listed shares which closed at P1.13 and P1.24 per share on December 31, 2015 and 2014, respectively.

23.2 Retained Earnings

The BOD approved the declaration of cash dividends in 2015, 2014 and 2013 as follows:

Date of Declaration	Stockholders of Record as of	No. of Shares Outstanding	Amount per Share	Total
August 7, 2015	August 28, 2015	1,821,542,000	P 0.06	P 109,292,520
August 12, 2014	August 29, 2014	1,821,542,000	0.06	109,292,520
August 8, 2013	August 30, 2013	1,821,542,000	0.06	109,292,520

Retained earnings is restricted in the amount of P115.6 million as of December 31, 2015 and 2014, equivalent to the cost of 209,433,000 shares held in treasury.

23.3 Revaluation Reserves

The components of this account and its movements are as follows:

	Notes	**2015**	2014	2013
Remeasurement of post-employment benefit:				
Balance at beginning of year		**P 26,955,226**	(P 12,085,205)	(P 17,235,042)
Actuarial gains (loss) during the year	21.2	**(1,899,376)**	54,522,138	7,356,907
Tax income (expense)	22.2	**508,268**	(15,481,707)	(2,207,070)
Balance at the end of the year		**25,564,118**	26,955,226	(12,085,205)
Cumulative translation adjustments:				
Balance at beginning of year		**89,361,006**	90,686,928	49,374,055
Currency exchange differences on translating financial statements of foreign operations	2	**14,380,981**	(1,325,922)	41,312,873
Balance at end of year		**103,741,987**	89,361,006	90,686,928
Fair value losses on AFS financial assets:				
Balance at beginning of year		**(95,268,932)**	(95,422,932)	(95,728,537)
Fair value gains	8	**1,380,000**	220,000	1,461,842
Deferred tax expense on changes in fair value of AFS financial assets	22.2	**(414,000)**	(66,000)	(1,156,237)
Balance at end of year		**(94,302,932)**	(95,268,932)	(95,422,932)
Other comprehensive income attributable to non-controlling interest		**35,000**	35,000	35,000
		P 35,038,173	P 21,082,300	(P 16,786,209)

24. EARNINGS (LOSS) PER SHARE

Basic and diluted earnings (loss) for profit (loss) attributable to the Parent Company's stockholders are computed as follows:

	2015	2014	2013
Net profit (loss) for the year attributable to the Parent Company's stockholders	**P 486,807,389**	(P 121,266,766)	P 157,821,890
Divided by weighted average shares outstanding:			
Number of shares issued	**2,030,975,000**	2,030,975,000	2,030,975,000
Treasury shares	**(209,433,000)**	(209,433,000)	(209,433,000)
	1,821,542,000	1,821,542,000	1,821,542,000
Earnings (loss) per share – basic and diluted	**P 0.27**	(P 0.07)	P 0.09

There were no outstanding convertible preferred shares and bonds or other stock equivalents as of December 31, 2015, 2014 and 2013; hence, diluted earnings (loss) per share is equal to the basic earnings (loss) per share.

25. RELATED PARTY TRANSACTIONS

The Group's related parties include other companies owned by the Parent Company's majority stockholders and the Group's key management personnel.

A summary of the Group's related party transactions as at December 31, 2015 and 2014 and for each of the three years in the period ended is summarized below and in the succeeding pages.

		Amounts of Transaction			Outstanding Receivable (Payable)	
Related Party Category	Notes	**2015**	2014	2013	**2015**	2014
Related Parties Under Common Ownership:						
Purchase of mobile phones	25.5	**P 2,881,839,025**	P3,383,722,069	P3,165,472,663	**(P 67,026,256)**	(P 231,208,127)
Advances to suppliers	25.5	**(174,696,873)**	8,629,196	7,264,159	**51,950,834**	226,647,707
Availment (payment) of loans	25.7	**(456,642,697)**	(156,946,396)	92,841,796	**(152,458,471)**	(609,101,168)
Interest expense	25.7	**56,567,376**	54,957,751	46,917,606	**(16,891,866)**	(8,901,893)
Cash advances obtained	25.4	**36,384,895**	(44,450,070)	69,759,951	**(73,258,388)**	(36,873,493)
Interest income	25.3, 25.6	**8,991,695**	10,659,395	10,270,326	**5,042,015**	21,664,409
Lease of real property	25.2	**823,650**	4,941,813	15,375,161	**93,222**	619,066
Cash advances granted	25.4	**(27,327,315)**	4,245,206	3,102,051	**1,653,330**	28,980,645
Commissions	25.5	**1,800,000**	1,800,000	4,366,100	**1,800,000**	1,800,000
Advances for equipment	25.5	**401,786**	741,153	2,839,816	**(7,939)**	(992,122)
Collection of receivables	25.5	**15,588,734**	277,483	1,634,470	**(16,312,002)**	(17,168,822)
Purchase of parts	25.1	**772,315**	4,653,561	31,349,823	**(10,293,439)**	(10,425,847)
Granting (collection) of business loans	25.3, 25.6	**(162,688,761)**	-	-	**14,000,000**	176,688,761

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.

None of the Group's outstanding receivables and advances from related parties are impaired.

25.1 Purchase of Goods

SE Corp. purchases parts and supplies from CPD. Total purchases of parts and supplies amounting to P0.8 million in 2015, P4.7 million in 2014 and P31.3 million in are recorded as part of Materials, supplies and other consumables under Cost of Services in the consolidated statements of income (see Note 17.2) while unused parts and supplies are included as part of Service parts, supplies and others under the Merchandise Inventories and Supplies account in the consolidated statements of financial position (see Note 9). The outstanding liability arising from these are presented as part of Trade payables under the Trade and Other Payables account in the consolidated statements of financial position (see Note 15).

25.2 Lease of Real Property

SMC leases out certain land and buildings to Avid Sales Corporation (Avid), a related party under common ownership. Also, SE Corp. leases out its office space to CPD and Avid. Income from these leases is shown as part of Rentals in the consolidated statements of income (see Note 12). Uncollected billings, on the other hand, form part of Rental receivables under the Trade and Other Receivables account in the consolidated statements of financial position (see Note 7).

The outstanding receivables from related parties are unsecured and do not bear any interest. Based on management's assessment, all receivables from related parties are fully collectible; hence, no impairment loss was recognized in 2015, 2014 and 2013.

25.3 Granting of Loans

SMFI grants business loans and other loans to its related parties that bear interests ranging from 7.5% to 9.0% in 2015, 2014 and 2013. Total interest earned from these loans amounted to P4.0 million in 2015, P5.0 million in 2014 and P4.9 million in 2013 and is presented as part of Interest under the Revenues account in the consolidated statements of income. The outstanding receivables from these business loans are shown as part of Loans receivables under the Trade and Other Receivables account in the consolidated statements of financial position (see Note 7).

The outstanding receivables from business loans as of December 31 are as follows:

	2015	2014
Avid	**P 14,000,000**	P 25,000,000
AA Export and Import Corp. (AA Export)	**-**	8,332,060
AA Marine Development Corp. (AA Marine)	**-**	7,847,899
Philippine Prawn, Inc. (PPI)	**-**	7,492,418
Baybayan Farm, Inc. (BFI)	**-**	7,492,418
Kawayan Farm, Inc. (KFI)	**-**	7,492,418
	P 14,000,000	P 63,657,213

In prior years, SMFI granted unsecured business loan to Avid with the original principal loan amounting to P80.0 million. Principal repayment related to this loan amounted to P11.0 million in 2015 and P2.0 million in 2014. There was no principal repayment in 2013. This loan is payable on demand.

The business loans to AA Export, AA Marine, PPI, BFI and KFI were originally repayable with a lump sum payment in January 2009 of the outstanding principal balance as of December 31, 2008. On January 12, 2009, SMFI's BOD approved the extension of the payment term of the business loan for an additional period of seven years until December 31, 2015. Also, on August 23, 2012, SMFI's BOD approved the suspension of the payment of amortization for the principal amount of these loans; hence, there were no principal repayments on these loans in 2013. In 2014, principal repayment amounted to P2.0 million. These loans were fully settled in 2015.

The business loan granted to AA Export is secured by its own shares of stock which are owned by a related party. All other business loans granted to related parties are unsecured.

There were no impairment losses recognized on the outstanding balances of business loans to granted to related parties in 2015, 2014 and 2013 based on management's assessment.

25.4 Advances to and from Related Parties

Certain subsidiaries of the Group grants and obtains unsecured, noninterest-bearing cash advances to and from related parties owned by the Parent Company's majority stockholders for working capital requirements and other purposes. The outstanding balances of Advances to Related Parties amounted to P1.7 million and P29.0 million as of December 31, 2015 and 2014, respectively, while the outstanding balances of Advances from Related Parties amounted to P73.3 million and P36.9 million as of December 31, 2015 and 2014, respectively.

These advances have no definite repayment dates and are generally settled in cash depending on available resources of the parties involved. No impairment losses were recognized on the outstanding balances of Advances to Related Parties as management has assessed that such amounts are fully collectible.

25.5 Transactions with Solid Trading Limited (STL)

SVC earns commission from sales of STL, a company owned by SGI's majority stockholders, to customers in the Philippines. Commissions earned are presented as part of Rendering of Services in the consolidated statements of income. The outstanding balance arising from these transactions as of December 31, 2015 and 2014 are shown as part of Trade receivables under the Trade and Other Receivables account in the consolidated statements of financial position (see Note 7).

SVC also collects the receivables related to the sales of STL which are payable immediately upon receipt. Total collections received in behalf of STL in 2015, 2014 and 2013 amounted to P15.6 million, P0.3 million and P1.6 million, respectively. Total obligations arising from this transaction as of December 31, 2015 and 2014 amounting to P15.6 million and P25.2 million, respectively, is presented as Due to a related party under the Trade and Other Payables account in the consolidated statements of financial position (see Note 15).

In 2014, STL paid certain purchases made by SVC amounting to P0.7 million, on behalf of SVC. Outstanding balance arising from this transaction amounting to P1.0 million as of December 31, 2014 is presented as part of Trade payables under the Trade and Other Payables account in the consolidated statements of financial position (see Note 15). There were no similar transaction that took place in 2015.

My Solid purchases mobile phone inventories from STL. Total purchases amounted to P2.9 billion in 2015, P3.4 billion in 2014 and P3.2 billion in 2013 and are presented as part of Cost of Sales in the consolidated statements of income (see Note 17.1). Outstanding liabilities relating to these transactions amounted to P67.0 million and P231.2 million as of December 31, 2015, and 2014, respectively, and are shown as part of Trade payables under the Trade and Other Payables account in the consolidated statements of financial position (see Note 15).

My Solid also made advance payments to STL for its future purchase of mobile phone inventories. The outstanding advances amount to P52.0 million and P226.6 million as of December 31, 2015 and 2014, respectively, and are presented as part of Advances to suppliers under Trade and Other Receivables account in the consolidated statements of financial position (see Note 7).

25.6 Transactions with SCL

In 2008, BRL granted an unsecured, interest-bearing loan denominated in Chinese yuan RMB to SCL, a related party owned by the Parent Company's majority stockholders, amounting to P125.1 million (¥17.4 million) which matures on March 1, 2011. The loan bears an annual interest rate of 6% payable annually with any unpaid interest compounded annually at the same rate of the principal amount. In 2009, the parties agreed to amend the loan agreement reducing the annual interest rate to 4% and making the loan payable in U.S. dollar. In 2011, the parties agreed to increase the annual interest rate to 5% and extend the loan for another year. In 2014, the parties agreed to further extend the term of the loan to March 31, 2015. Interest rate was maintained at 5%. In 2015, all of the loan receivable has been collected which has been used to partially pay the loan obtained from Bank of Singapore.

Interests earned from these loans amounted to P5.0 million in 2015, P5.6 million in 2014 and P5.4 million in 2013, and is presented as part of Interest account under the Revenues section in the consolidated statements of income. The outstanding balance of the loan amounting to P113.0 million as of December 31, 2014, is presented as part of Loans receivables under the Trade and Other Receivables account in the 2014 consolidated statement of financial position (see Note 7). No impairment loss was recognized on these loans in 2015, 2014 and 2013, based on management's assessment.

25.7 Loan Availments

In 2011, Fil-Dragon obtained loans from companies that are owned by SCL. Outstanding balance from these loans amounted to ¥21.1 million (P152.5 million) and ¥84.7 million (P609.1 million) as at December 31, 2015 and 2014, respectively. These loans bear annual interest at prevailing market rates ranging from 6% to 15% in 2015, 2014 and 2013. The liabilities are unsecured and payable on demand. The amount of loan is presented as part of Interest-bearing loans in the consolidated statements of financial position. Borrowing costs incurred in 2013 amounted to ¥6.8 million (P46.9 million) and is capitalized as part of Real Estate Inventories in the 2013 consolidated statement of financial position (see Notes 10 and 14). Borrowing cost incurred in 2015 and 2014 amounting to ¥7.8 million (P56.6 million) and ¥7.6 million (P55.0 million), respectively, are shown as part of Interest expense on interest-bearing loans under the Finance Costs account in the consolidated statements of income (see Notes 14 and 20.1).

25.8 Key Management Personnel Compensation

The compensation of key management personnel is broken down as follows:

	2015	2014	2013
Short-term benefits	**P 42,692,723**	P 41,905,261	P 42,900,808
Post-employment benefit	**3,361,129**	3,468,820	3,503,007
	P 46,053,852	P 45,374,081	P 46,403,815

These amounts are shown as part of Salaries and employee benefits under General and Administrative Expenses account in the consolidated statements of income (see Note 21).

25.9 Transactions with the Retirement Fund

The Group has established a formal multi-employer retirement plan which is administered by a trustee bank, except for CBHI, My Solid, SGTC and ZTC, whose retirement fund remained unfunded as of December 31, 2015.

The retirement fund consists of government securities, corporate bonds, UITF and mutual funds with fair values totaling P190.4 million and P186.2 million, as at December 31, 2015 and 2014, respectively (see Note 21.2). The retirement fund neither provides any guarantee or surety for any obligation of the Group. The retirement fund also has no investments in the Parent Company's shares of stock which are listed for trading at the PSE.

The details of the contributions of the Group and benefits paid out by the plan to employees are presented in Note 21.2.

26. SIGNIFICANT CONTRACTS AND AGREEMENTS

26.1 Memorandum of Understanding with SPI

On July 1, 2003, SE Corp. entered into a Memorandum of Understanding (MOU) with SPI for network support services to be performed by the former to the latter. Under the MOU, SPI authorized SE Corp. to perform in-warranty and out-of-warranty services to customers in the Philippines for a fee equivalent to a certain 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. In the first quarter of 2009, SE Corp. and SPI agreed to lower the network support fees to 0.45% of SPI's net sales. Subsequently, SE Corp. and SPI agreed that network support fees shall be fixed at P1.25 million per month effective April 2009. Management believes that the MOU continues to be effective unless revoked by any of the parties.

Network support fees and in-warranty service fees relating to Sony products amounted to P80.8 million and P90.5 million in 2015 and 2014, respectively, and are presented as part of Rendering of Services in the consolidated statements of income. Outstanding balances arising from these transactions amounted to P5.8 million and P5.5 million as of December 31, 2015 and 2014, respectively, and are included as part of Trade receivables under the Trade and Other Receivables in the consolidated statements of financial position (see Note 7).

26.2 Distributorship Agreement with Sony Corporation of Hong Kong Limited (Sony HK)

SVC has a non-exclusive Distributorship Agreement (the Agreement) with Sony HK, a corporation organized and existing under and by virtue of the laws of Hong Kong. Under the Agreement, SVC was designated by Sony HK as its non-exclusive distributor of Sony products in the Philippines. In addition, SVC shall provide the customers in the Philippines with repair and parts replacement services, including but not limited to repair and parts replacement services rendered by SVC which are covered under the 12 month-warranty period at its own costs and expenses. Management believes that the Agreement continues to be effective although no formal renewal has been made since 2007.

26.3 Management Agreement with Sky Cable Corporation

SBC and Sky Cable Corporation (SCC) agreed that the management and administration of the sale, assignment and transfer of its assets, equipment, contracts, permits, licenses and subscriber base (the "Assets") of SBC be entrusted to SCC. SCC, as the manager of the Assets, was given the overall power and responsibilities to handle all aspects necessary to carry out the administration and operations of the Assets and SBC, to accord the necessary additional authorizations, should the need arise.

Revenues arising from this transactions amounted to P1.8 million in 2015 (nil in 2014 and 2013) and is presented as part of Rendering of Services under Revenues in the 2015 consolidated statement of income. The outstanding receivable amounted to P1.8 million as of December 31, 2015 and included as part of Trade Receivables under Trade and Other Receivables account in the 2015 consolidated statement of financial position (see Note 7). The expense related to it is presented as part of Service fees under Cost of Services account in the 2015 consolidated statement of income (see Note 17.2).

27. COMMITMENTS AND CONTINGENCIES

The following are the significant commitments and contingencies involving the Group:

27.1 Operating Lease Commitments – Group as Lessor

Certain subsidiaries lease out real estate properties under various non-cancellable lease agreements with terms ranging from one to ten years. Some of these lease transactions are subject to 5% to 10% escalation rate. The future minimum lease receivables under these non-cancellable operating leases as of December 31 are as follows:

	2015	2014
Within one year	**P 45,283,142**	P 82,297,563
After one year but not more than five years	**48,757,787**	60,208,163
More than five years	**673,905**	4,090,127
	P 94,714,834	P 146,595,853

Rental income earned from these transactions amounted to P146.1 million, P151.0 million and P152.0 million in 2015, 2014 and 2013, respectively, and are presented as Rentals under Revenues in the consolidated statements of income.

27.2 Operating Lease Commitments – Group as Lessee

The Group is a lessee under non-cancellable operating leases covering several parcels of land. These leases have terms of 25 years expiring in 2019. Lease payments are fixed for the first five years. Thereafter, the lease on land is subject to 100% escalation rate every five years while the lease on land improvements is subject to an annual escalation rate of 10%.

	2015	2014
Within one year	**P 10,729,435**	P 22,874,016
After one year but not more than five years	**26,593,770**	15,045,179
	P 37,323,205	P 37,919,195

Rental expense charged to operations from these operating leases amounted to P7.4 million each in 2015, 2014 and 2013, and are shown as part of Rentals under Cost of Rentals account in the consolidated statements of income (see Notes 17.2 and 17.3).

Refundable deposits received in relation to these lease arrangements amounted to P24.4 million and P13.2 million in 2015 and 2014, respectively. These amounts are presented as part of Other Current Assets and Other Non-current Assets in the consolidated statements of financial position (see Note 13).

27.3 Estimated Liability for Land and Land Development Cost

The Group has commitment of about P68.3 million as at December 31, 2015 and 2014 for the fulfillment of projects in the development and marketing of CPIP (see Note 10).

27.4 Purchase Commitments

In 2007, ZTC entered into several construction contracts with various suppliers for the construction of the Tri Towers condominium building (see Note 10). The construction of Tower 1 and Tower 2 was completed in 2008 and 2012, respectively, while the construction of Tower 3 was not yet started as of December 31, 2015.

27.5 Possible Impact of Government Project

In 2005, ZTC received a notification from the Urban Roads Projects Office (URPO) of the Department of Public Works and Highways (DPWH) that the location of the Tri Towers condominium building project (see Note 10) might be affected by the plans of the National Government of the Philippines for the construction of the proposed 2nd Ayala Bridge. However, the URPO stated that it has not yet undertaken the detailed engineering design that will ascertain if the location of the ZTC's property will be affected by the road's right-of-way.

The Group decided to continue the Tri Towers condominium building project despite the notification received from the DPWH because management believes that the likelihood of a possible expropriation of the land is remote given the current status of the government project.

27.6 Properties Under Development

Fil-Dragon has a commitment for about P54.4 million (¥7.6 million) as of December 31, 2015, for the construction of the Golden Hill Project (see Note 10).

27.7 Option Agreement

Relative to SBC's sale of its broadband assets and subscriber base, SGI granted SCC with an option to purchase SGI'S shares in SBC. The said option is exercisable until December 31, 2013. As of December 31, 2013, SCC has not exercised this option (see Note 26.3); hence, the Parent Company still holds the ownership interests in SBC.

27.8 Others

As of December 31, 2015 and 2014, the Group has unused credit facilities amounting to P866.1 million and P709.0 million, 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, 2015, 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 financial liabilities by category are summarized in Note 29.1. The main types of risks are market risk, credit risk and liquidity risk.

The Group's risk management is coordinated with its BOD and focuses on actively securing the Group's short to medium-term cash flows by minimizing the exposure to financial markets. Long-term financial investments are managed to generate continuous returns.

The Group does not engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed to are described in the succeeding page.

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 both its operating, investing and financing activities.

(a) Foreign Currency Risk

Most of the Group's transactions are carried out in Philippine pesos, its functional currency. Exposures to currency exchange rates arise from the Group's foreign currency denominated trade and other receivables, interest-bearing loans and trade and other payables, which are primarily denominated in U.S. dollars and Chinese yuan RMB. The Group also holds U.S. dollar-denominated cash and cash equivalents.

To mitigate the Group's exposure to foreign currency risk, non-Philippine peso cash flows are monitored.

Foreign currency-denominated financial assets and liabilities, translated into Philippine pesos at the closing rate are as follows:

	2015		2014	
	U.S. Dollar	**Chinese Yuan Renminbi**	U.S. Dollar	Chinese Yuan Renminbi
Financial assets	**P 92,591,221**	**P 152,824,103**	P 134,695,957	P 249,674,557
Financial liabilities	**(76,481,790)**	**(440,655,210)**	(380,841,477)	(787,203,671)
Short-term exposure	**P 16,109,431**	**(P287,831,107)**	(P 246,145,520)	(P 537,529,114)

The following table illustrates the sensitivity of the Group's profit (loss) before tax with respect to changes in Philippine pesos against foreign currency exchange rates. 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 at a 99% confidence level.

	2015		2014		2013	
	Reasonably Possible Change in Rate	**Effect in Profit Before Tax**	Reasonably Possible Change in Rate	Effect in Loss Before Tax	Reasonably Possible Change in Rate	Effect in Profit Before Tax
Php – USD	**10.42%**	**P 1,678,603**	11.56%	P 28,454,422	18.63%	(P 49,061,560)
Php – RMB	**17.36%**	**(49,967,480)**	14.07%	75,630,346	21.52%	(148,292,096)
		(P 48,288,877)		P 104,084,768		(P 197,353,656)

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's foreign currency risk.

(b) Interest Rate Risk

At December 31, 2015 and 2014, the Group is exposed to changes in market interest rates through its cash and cash equivalents, which are subject to variable interest rates (see Note 5). All other financial assets and financial liabilities have fixed rates.

The following illustrates the sensitivity of profit (loss) before tax for the year to a reasonably possible change in interest rates of +/-2.03% in 2015, +/-2.31% in 2014 and +/-2.14% in 2013. These changes in rates have been determined based on the average market volatility in interest rates, using standard deviation, in the previous 12 months, estimated at 99% level of confidence. The sensitivity analysis is based on the Group's financial instruments held at each reporting date, with effect estimated from the beginning of the year. All other variables held constant, if the interest rate increased by 2.03%, 2.31% and 2.14%, profit before tax in 2015 would have increased by P26.8 million, loss before tax in 2014 would have decreased by 33.4 million and profit before tax in 2013 would have increased by P49.8 million, respectively. Conversely, if the interest rate decreased by the same percentages, profit before tax in 2015 and 2013 would have been lower and loss before tax in 2014 would have been higher by the same amounts.

(c) Other Price Risk

The Group's market price risk arises from its investments carried at fair value (i.e., financial assets classified as financial assets at FVTPL and AFS financial assets). The Group manages exposures to price risk by monitoring the changes in the market price of the investments and at some extent, diversifying the investment portfolio in accordance with the limit set by management.

28.2 Credit Risk

Credit risk is the risk that the counterparties may fail to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments arising from granting loans and selling goods and services to customers including related parties, placing deposits with banks and investing in UITF.

Generally, 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 (or in the detailed analysis provided in the notes to the consolidated financial statements), as summarized below:

	Notes	**2015**	2014
Cash and cash equivalents	5	**P 2,576,733,713**	P 1,623,834,847
Financial assets at FVTPL	6	**123,008,280**	746,071,954
Trade and other receivables (excluding advances to suppliers) – net	7	**1,670,427,714**	1,779,955,204
Advances to related parties	25	**1,653,330**	28,980,645
Restricted cash and cash bond	13	**5,114,197**	16,885,451
Refundable deposits	13	**24,371,762**	13,249,349
		P 4,401,308,996	P 4,208,977,450

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. Where available at a reasonable cost, external credit ratings and/or reports and other counterparties are obtained and used. The Group's policy is to deal only with creditworthy counterparties. In addition, for a significant proportion of real estate sales, advance payments are received to mitigate credit risk.

The Group's management considers that all the above financial assets that are not impaired or past due at the end of each reporting period are of good credit quality.

(a) Cash and Cash Equivalents and Financial Assets at FVTPL

The credit risk for cash and cash equivalents and financial assets at FVTPL in the consolidated statements of financial position, is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. Included in the cash and cash equivalents are cash in banks and short-term placements which are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P500,000 for every depositor per banking institution.

(b) Trade and Other Receivables

In respect of trade and other receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Trade receivables consist of a large number of customers in various industries and geographical areas. Based on historical information about customer default rates, management consider the quality of trade and other receivables that are not past due or impaired to be good.

Except for trade receivables arising from real estate sales, none of the financial assets are secured by collateral or other credit enhancements. Trade receivables arising from real estate sales are secured by industrial lots and condominium units sold to buyers and are covered by postdated checks.

(c) Advances to Related Parties

The Group is not exposed to any significant credit risk exposure in respect of advances to related parties. These advances are generally receivable in cash upon demand. These related parties are considered to be in good financial condition.

Some of the unimpaired trade receivables are past due at the end of the reporting period. Trade receivables and advances to related parties past due but not impaired can be shown as follows:

	2015	2014
Not more than three months	**P 51,781,362**	P 46,188,160
More than three months but not more than one year	**7,041,902**	13,642,967
More than one year	**-**	7,497,623
	P 58,823,264	P 67,328,750

There were no other financial assets that are past due as of December 31, 2015 and 2014.

28.3 Liquidity Risk

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 and UITF. 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, 2015, the Group's financial liabilities have contractual maturities, which are presented below.

	Current		Non-current
	Within 6 Months	6 to 12 Months	1 to 5 Years
Interest-bearing loans	P 269,414,037	P -	P -
Trade and other payables	600,470,971	-	-
Advances from related parties	73,258,388	-	-
Refundable deposits	-	-	19,022,892
	P 943,143,396	P -	P 19,022,892

This compares to the maturity of the Group's financial liabilities as of December 31, 2014 as follows:

	Current		Non-current
	Within 6 Months	6 to 12 Months	1 to 5 Years
Interest-bearing loans	P 873,532,553	P -	P -
Trade and other payables	675,613,595	-	-
Advances from related parties	36,873,493	-	-
Refundable deposits	-	-	13,313,947
	P 1,586,019,641	P -	P 13,313,947

The above contractual maturities reflect the gross cash flows, which may differ with the carrying values of the financial liabilities at the end of reporting period.

29. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

29.1 Carrying Amounts and Fair Values by Category

The carrying amounts and fair values of the categories of financial assets and financial liabilities presented in the consolidated statements of financial position are shown below.

		2015		2014	
	Notes	Carrying Amounts	Fair Values	Carrying Amounts	Fair Values
Financial assets					
Loans and receivables:					
Cash and cash equivalents	5	P 2,576,733,713	P 2,576,733,713	P 1,623,834,847	P 1,623,834,847
Trade and other receivables – net	7	1,670,427,714	1,670,427,714	1,779,955,204	1,779,955,204
Advances to related parties	25	1,653,330	1,653,330	28,980,645	28,980,645
Restricted cash and cash bond	13	5,114,197	5,114,197	16,885,451	16,885,451
Refundable deposits	13	24,371,762	24,371,762	13,249,349	13,249,349
		4,278,300,716	4,278,300,716	3,462,905,496	3,462,905,496
Financial assets at FVTPL	6	123,008,820	123,008,820	746,071,954	746,071,954
AFS financial assets:	8				
Golf club shares – net		13,202,400	13,202,400	8,822,400	8,822,400
Others		634,127	634,127	634,127	634,127
		13,836,527	13,836,527	9,456,527	9,456,527
		P 4,415,146,063	P 4,415,146,063	P 4,218,433,977	P4, 218,433,977

	Notes	2015 Carrying Amounts	2015 Fair Values	2014 Carrying Amounts	2014 Fair Values
Financial liabilities					
At amortized cost:					
Interest-bearing loans – net	14	**P 269,414,037**	**P 269,414,037**	P 844,408,549	P 844,408,549
Trade and other payables	15	**600,470,971**	**600,470,971**	675,613,595	675,613,595
Advances from related parties	25	**73,258,388**	**73,258,388**	36,873,493	36,873,493
Refundable deposits – net	16	**19,022,892**	**19,022,892**	13,313,947	13,313,947
		P 962,166,288	**P 962,166,288**	P 1,570,209,584	P 1,570,209,584

See Notes 2.5 and 2.11 for a description of the accounting policies for each category of financial instruments. 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 setoff 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 BODs and stockholders of both parties.

The Group's outstanding cash advances obtained from other related parties amounting to P73.3 million and P36.9 million as at December 31, 2015 and 2014, respectively, and presented as Advances from Related Parties account in the consolidated statements of financial position, can be offset by the amount of outstanding cash advances granted to other related parties amounting to P1.7 million and P29.0 million as at December 31, 2015 and 2014, respectively.

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. As at December 31, 2015 and 2014, the Group's cash surrender value of investment in life insurance amounting to P591.9 million and P538.3 million, respectively, and presented as part of Trade and Other Receivables in the consolidated statements of financial position may be used to settle the outstanding loans of BRL amounting to P104.7 million and P235.3 million as at December 31, 2015 and 2014, respectively, and included as part of Interest-bearing Loans in the consolidated statements of financial position (see Notes 7 and 14).

30. FAIR VALUE MEASUREMENTS AND DISCLOSURES

30.1 Fair Value Hierarchy

In accordance with PFRS 13, the fair value of financial assets and financial liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value. The fair value hierarchy has the following levels:

The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the asset or 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 table below shows the fair value hierarchy of the Group's classes of financial assets measured at fair value in the consolidated statements of financial position on a recurring basis as of December 31, 2015 and 2014.

		2015			
	Notes	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL	6	P -	P 123,008,280	P -	P 123,008,280
AFS financial assets	8	-	13,202,400	-	13,202,400
		P -	P 136,210,680	P -	P 136,210,680

		2014			
	Notes	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL	6	P -	P 746,071,954	P -	P 746,071,954
AFS financial assets	8	-	8,822,400	-	8,822,400
		P -	P 754,894,354	P -	P 754,894,354

As at December 31, 2015 and 2014, the Group has certain unquoted AFS financial assets amounting to P634,127 that are measured at cost; hence, these assets are not included within the fair value hierarchy.

The Group has no financial liabilities measured at fair value as at December 31, 2015 and 2014.

There were neither transfers between Levels 1 and 2 nor changes in Level 3 instruments in both years.

UITF classified as financial assets at FVTPL and club shares and equity securities classified as AFS financial assets are included in Level 2 as their prices are not derived from market considered as active due to lack of trading activities among market participants at the end or close to the end of the reporting period.

30.3 Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed

The table below summarizes 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.

		2015			
	Notes	Level 1	Level 2	Level 3	Total
Financial Assets					
Loans and receivables:					
Cash and cash equivalents	5	P 2,576,733,713	P -	P -	P 2,576,733,713
Trade and other receivables	7	-	-	1,670,427,714	1,670,427,714
Advances to related parties	25	-	-	1,653,330	1,653,330
Restricted cash and cash bond	13	-	-	5,114,197	5,114,197
Refundable deposits	13	-	-	24,371,762	24,371,762
		P 2,576,733,713	**P -**	**P 1,701,567,003**	**P 4,278,300,716**
Financial Liabilities					
At amortized cost:					
Interest-bearing loans – net	14	P -	P -	P 269,414,037	P 269,414,037
Trade and other payables	15	-	-	600,470,971	600,470,971
Advances from related parties	25	-	-	73,258,388	73,258,388
Refundable deposits - net	16	-	-	19,022,892	19,022,892
		P -	**P -**	**P 962,166,288**	**P 962,166,288**

		2014			
	Notes	Level 1	Level 2	Level 3	Total
Financial Assets					
Loans and receivables:					
Cash and cash equivalents	5	P 1,623,834,847	P -	P -	P 1,623,834,847
Trade and other receivables	7	-	-	1,779,955,204	1,779,955,204
Advances to related parties	25	-	-	28,980,645	28,980,645
Restricted cash and cash bond	13	-	-	16,885,451	16,885,451
Refundable deposits	13	-	-	13,249,349	13,249,349
		P 1,623,834,847	P -	P 1,839,070,649	P 3,462,905,496
Financial Liabilities					
At amortized cost:					
Interest-bearing loans – net	14	P -	P -	P 844,408,549	P 844,408,549
Trade and other payables	15	-	-	675,613,595	675,613,595
Advances from related parties	25	-	-	36,873,493	36,873,493
Refundable deposits - net	16	-	-	13,313,947	13,313,947
		P -	P -	P 1,570,209,584	P 1,570,209,584

For financial assets with fair values included in Level 1, management considers that the carrying amounts of these financial instruments approximate their fair values due to their short duration.

The fair values of the financial assets and financial liabilities included in Level 3, which are not traded in an active market, are determined based on the expected cash flows of the underlying net asset or liability based on the instrument where the significant inputs required to determine the fair value of such instruments.

30.4 Fair Value Measurements of Non-financial Assets

The table below shows the Levels within the hierarchy of non-financial assets measured at fair value on a recurring basis as of December 31.

	2015			
	Level 1	**Level 2**	**Level 3**	**Total**
Land and improvements	P -	P2,209,452,699	P -	P2,209,452,699
Building and building improvements	-	-	443,766,835	443,766,835
	P -	**P2,209,452,699**	**P 443,766,835**	**P2,653,219,534**

	2014			
	Level 1	Level 2	Level 3	Total
Land and improvements	P -	P3,027,198,507	P -	P3,027,198,507
Building and building improvements	-	-	626,681,408	626,681,408
	P -	P3,027,198,507	P 626,681,408	P3,653,879,915

The fair value of the Group's land and improvements and building and building improvements classified under Investment Property (see Note 12) are determined on the basis of the appraisals performed by Royal Asia Appraisal Corporation in 2015, Cuervo Appraisers, Inc. in 2014 and Asian Appraisal, Inc. in 2013, all are independent appraisers with appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. To some extent, the valuation process was conducted by the appraisers in discussion with the Group's management with respect to the determination of the inputs such as the size, age, and condition of the land and buildings, and the comparable prices in the corresponding property location. In estimating the fair value of these properties, management takes into account the market participant's ability to generate economic benefits by using the assets in their highest and best use. Based on management assessment, the best use of the Group's non-financial assets indicated above is their current use.

The fair value of these non-financial assets were determined based on the following approaches:

(a) Fair Value Measurement for Land and Improvements

The Level 2 fair value of land and improvements was derived using the market comparable approach that reflects the recent transaction prices for similar properties in nearby locations. Under this approach, when sales prices of comparable land in close proximity are used in the valuation of the subject property with no adjustment on the price, fair value is included in Level 2. On the other hand, if the observable recent prices of the reference properties were adjusted for differences in key attributes such as property size, zoning, and accessibility, the fair value is included in Level 3. The most significant input into this valuation approach is the price per square foot; hence, the higher the price per square foot, the higher the fair value.

(b) Fair Value Measurement for Building and Building Improvements

The Level 3 fair value of the buildings and improvements under Investment Property account was determined using the cost approach that reflects the cost to a market participant to construct an asset of comparable usage, construction standards, design and layout, adjusted for obsolescence. The more significant inputs used in the valuation include direct and indirect costs of construction such as but not limited to, labor and contractor's profit, materials and equipment, surveying and permit costs, electricity and utility costs, architectural and engineering fees, insurance and legal fees. These inputs were derived from various suppliers and contractor's quotes, price catalogues, and construction price indices. Under this approach, higher estimated costs used in the valuation will result in higher fair value of the properties.

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 goods and services commensurately with the level of risk.

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 following is the computation of the Group's debt-to-equity ratio:

	2015	2014
Total liabilities (excluding advances from related parties)	**P 2,219,515,682**	P 4,129,138,902
Total equity	**10,068,847,607**	9,491,279,309
	0.22:1.00	0.44:1.00

The Group sets the amount of capital in proportion to its overall financing structure, i.e., equity and liabilities excluding amounts due to 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.

As at December 31, 2015 and 2014, the Group is not subject to any externally-imposed capital requirements, except for SMFI as indicated below.

Under Section 6 of RA No. 8556, SMFI is required to maintain a minimum paid-up capital of not less than P10.0 million. SMFI is in compliance with the minimum paid-up capital requirement as at December 31, 2015 and 2014.

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1200 Makati City
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Report of Independent Auditors to Accompany Supplementary Information Required by the Securities and Exchange Commission Filed Separately from the Basic Consolidated Financial Statements

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

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Solid Group Inc. and subsidiaries for the year ended December 31, 2015, on which we have rendered our report dated March 28, 2016. 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) are presented for purposes of additional analysis in compliance with the requirements under the Securities Regulation Code Rule No. 68, and are not a required part of the basic consolidated financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information are the responsibility of management. The supplementary information have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

PUNONGBAYAN & ARAULLO

By: **Mailene Sigue-Bisnar**
Partner

CPA Reg. No. 0090230
TIN 120-319-128
PTR No. 5321724, January 4, 2016, Makati City
SEC Group A Accreditation
Partner - No. 0396-AR-3 (until Oct. 15, 2018)
Firm - No. 0002-FR-4 (until Apr. 30, 2018)
BIR AN 08-002511-20-2015 (until Mar. 18, 2018)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2018)

March 28, 2016

SOLID GROUP INC. AND SUBSIDIARIES
LIST OF SUPPLEMENTARY INFORMATION
DECEMBER 31, 2015

Supplementary Schedules

Independent Auditors' Report on the SEC Supplementary Schedules Filed Separately from the Basic Financial Statements

Schedules Required under Annex 68-E of the Securities Regulation Code Rule 68

Other Required Information

Solid Group Inc. and Subsidiaries
Schedule A - Financial Assets
December 31, 2015

Name of Issuing entity and assocation of each issue	Number of shares of principal amount of bonds and notes	Amount shown in statement financial position		Value based on market quotation at end of reporting period		Income received and accrued	
Financial Assets at Fair Value Through Profit or Loss							
Metropolitan Bank and Trust Company/ Security Bank Unit Investment Trust Fund (UITF)		P	**123,008,280**	P	**123,008,280**	P	**260,983**
Available-for-Sale Financial Assets - Current		P	-	P	-	P	-
Available-for-Sale Financial Assets - Non-Current							
The Country Club	3	P	6,000,000	P	6,000,000		-
Sta. Elena Golf Club	1		3,000,000.00		3,000,000.00		-
Alabang Country Club	1		2,264,400.00		2,264,400		-
Tagaytay Midlands Golf Club	4		2,200,000		2,200,000		-
Philam Properties Corporation	1		272,127		272,127		-
Subic Bay Yacht Club Inc.	1		100,000		100,000		-
		P	**13,836,527**	P	**13,836,527**	P	-

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, 2015

Name and designation of debtor	Balance at beginning of period	Additions	Deductions: Amounts collected	Deductions: Amounts written off	Ending Balance: Current	Ending Balance: Not current	Balance at end of period
Trade Receivables:							
Kita Corporation	P 13,600,000	P -	P -	P -	P 13,600,000	P -	P 13,600,000
My Solid Devices & Technologies Corporation	4,752,715	2,640,904	-	-	7,393,619	-	7,393,619
Solid Electronics Corporation	2,702,880	-	2,519,111	-	183,769	-	183,769
SolidGroup Technologies Corporation	109,177	-	84,565	-	24,612	-	24,612
Omni Solid Services Inc.	6,901,518	-	6,901,518	-	-	-	-
Solid Broadband Corporation	-	47,446	-	-	47,446	-	47,446
Solid Video Corporation	2,734,906	62,755,492	-	-	65,490,398	-	65,490,398
Casa Bocobo Hotel, Inc.	4,213,914	-	4,080,822	-	133,092	-	133,092
Solid Manila Corporation	2,633,654	-	2,431,745	-	201,909	-	201,909
	P 37,648,764	P 65,443,842	P 16,017,761	P -	P 87,074,844	P -	P 87,074,844
Kita Corporation	P 465,259,173	-	P 21,000,000	-	P 444,259,173	-	P 444,259,173
Zen Towers Corporation	439,507,157	-	23,000,000	-	416,507,157	-	416,507,157
Solid Manila Corporation	417,043,188	-	190,000,000	-	227,043,188	-	227,043,188
Precos, Inc.	149,511,000	-		-	149,511,000	-	149,511,000
Solid Manila Finance Inc.	3,000,000	-	3,000,000	-	-	-	-
Casa Bocobo Hotel, Inc.	18,000,000	-	18,000,000	-	-	-	-
Brilliant Reach Limited	144,452,535	9,905,984	-	-	154,358,519	-	154,358,519
Solid Electronic Corporation	-	10,333,934	-	-	10,333,934	-	10,333,934
My Solid Devices & Technologies Corporation	1,182,000,000	857,400,900	-	-	2,039,400,900	-	2,039,400,900
Skyworld	1,145,469	-	1,145,469	-	-	-	-
Laguna International Industrial Park	6,066,841	-	6,066,841	-	-	-	-
Interstar Holdings Corporatin, Inc.	598,204	-	598,204	-	-	-	-
Phil-Nanning Consortium, Inc.	146,650,000	-	146,650,000	-	-	-	-
Solid Video Corporation	-	90,000,000		-	90,000,000	-	90,000,000
MyApp Corporation	40,960	-	40,960	-	-	-	-
SolidGroup Technologies Corporation	66,000,000	-	29,000,000	-	37,000,000	-	37,000,000
	P 3,039,274,527	P 967,640,818	P 438,501,474	P -	P 3,568,413,871	P -	P 3,568,413,871

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, 2015

Name and designation of debtor	*Balance at beginning of period*	*Additions*	*Deductions*		*Ending Balance*		*Balance at end of period*
			Amounts collected	*Amounts written off*	*Current*	*Not current*	
Trade payables:							
My Solid Devices & Technologies Corporation	P 7,211,092	P 58,726,673	-	-	P 65,937,765	-	P 65,937,765
Solid Electronics Corporation	75,398	582,545	-	-	657,943	-	657,943
Precos, Inc.	-	79,797,900	-	-	79,797,900	-	79,797,900
Solid Manila Corporation	3,959,969	-	3,754,281	-	205,688	-	205,688
SolidGroup Technologies Corporation	18,000,000	-	17,366,430	-	633,570	-	633,570
Omni Solid Services Inc.	311,302	6,303,694	-	-	6,614,996	-	6,614,996
	P 29,557,761	P 145,410,811	P 21,120,711	P -	P 153,847,861	P -	P 153,847,861

Solid Group Inc. and Subsidiaries
Schedule F - Indebtedness to Related Parties (Long-term Loans from Related Companies)
December 31, 2015

Title of issue and type of obligation	*Amount authorized by indenture*	*Amount shown under caption "Current portion of long-term debt" in related statement of financial position*	*Amount shown under caption "Long-Term Debt" in related statement of financial position*
Loans:			
Short term loans		P 152,458,471	P -

Solid Group Inc. and Subsidiaries
Schedule H - Capital Stock
December 31, 2015

Title of Issue	*Number of shares authorized*	*Number of shares issued and outstanding as shown under the related balance sheet caption (A)*	*Number of shares reserved for options, warrants, conversion and other rights*	*Number of shares held by*		
				Related parties (B)	*Directors, officers and employees*	*Others*
Common shares - P1 par value						
Authorized - P5,000,000,000 shares	5,000,000,000					
Issued		2,030,975,000				
Outstanding		1,821,542,000		1,083,377,816	342,203,480	395,960,704

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.
Schedule I

Reconciliation of Retained Earnings Available for Dividend Declaration
For the Year Ended December 31, 2015

Unappropriated Retained Earnings at Beginning of Year		P 810,535,246
Prior Years' Outstanding Reconciling Items, net of tax		(375,817)
Unappropriated Retained Earnings Available for Dividend Declaration at Beginning of Year, as Adjusted		810,159,429
Net Profit Realized during the Year		
Net profit per audited financial statements	29,994,800	
Unrealized foreign exchange gain	(8,256,553)	
Deferred tax income	(94,813)	21,643,434
Other Transaction During the Year		
Dividends declared		(109,292,520)
Retained Earnings Restricted for Treasury Shares		(115,614,380)
Unappropriated Retained Earnings Available for Dividend Declaration at End of Year		**P 606,895,963**

SOLID GROUP INC. AND SUBSIDIARIES
Schedule J - Financial Soundness Indicators

	FORMULA	DECEMBER 31, 2015	DECEMBER 31, 2014
Liquidity Ratios			
Current ratio	Current Assets / Current Liabilities	4.34 : 1	2.31 : 1
Acid Test ratio	Cash & Cash Equivalents + Trade Receivables FAFVPL + AFS / Current Liabilities	2.58 : 1	1.19 : 1
Solvency Ratios			
Debt to Equity ratio	Total Liabilities (excluding advances from related parties) / Total Equity	0.22 : 1	0.44 : 1
Gearing Ratio	Financial Debt / Total Equity	0.03:1	0.09 : 1
Asset-to-equity Ratio	Total Assets / Total Equity	1.23 : 1	1.44 : 1
Interest Rate Coverage Ratio	EBIT / Interest Expense	15.02 : 1	-2.63 : 1
Profitability Ratios			
Operating Margin	Operating Profit (Loss) / Total Revenues	12%	-3%
Net Profit Margin	Net Income (Loss) after Tax / Total Revenues	10%	-4%
Return on Total Assets	Net Income (Loss) after Tax / Average Total Assets	5%	-1%
Return on Equity	Net Income (Loss) after Tax / Total Equity	7%	-2%

SOLID GROUP INC. AND SUBSIDIARIES
Schedule K

Schedule of Philippine Financial Reporting Standards and Interpretations
Adopted by the Securities and Exchange Commission and the
Financial Reporting Standards Council as of December 31, 2015

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		**Adopted**	**Not Adopted**	**Not Applicable**
Framework for the Preparation and Presentation of Financial Statements		♋		
Conceptual Framework Phase A: Objectives and Qualitative Characteristics		♋		
Practice Statement Management Commentary			♋	
Philippine Financial Reporting Standards (PFRS)				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	♋		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters	♋		
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters	♋		
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters	♋		
	Amendment to PFRS 1: Government Loans			♋
PFRS 2	Share-based Payment			♋
	Amendments to PFRS 2: Vesting Conditions and Cancellations			♋
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			♋
PFRS 3 (Revised)	Business Combinations	♋		
PFRS 4	Insurance Contracts			♋
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			♋
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	♋		
PFRS 6	Exploration for and Evaluation of Mineral Resources			♋
PFRS 7	Financial Instruments: Disclosures	♋		
	Amendments to PFRS 7: Transition	♋		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	♋		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	♋		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	♋		
	Amendments to PFRS 7: Disclosures – Transfers of Financial Assets	♋		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	♋		
	Amendment to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures *(effective when PFRS 9 is first applied)*			♋
PFRS 8	Operating Segments	♋		
PFRS 9	Financial Instruments (2014)* *(effective January 1, 2018)*			♋
PFRS 10	Consolidated Financial Statements	♋		
	Amendment to PFRS 10: Transition Guidance	♋		
	Amendment to PFRS 10: Investment Entities	♋		
	Amendment to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* *(effective date deferred indefinitely)*	♋		
	Amendment to PFRS 10: Investment Entities – Applying the Consolidation Exception* *(effective date deferred indefinitely)*			♋
PFRS 11	Joint Arrangements	♋		
	Amendment to PFRS 11: Transition Guidance	♋		
	Amendment to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations* *(effective January 1, 2016)*			♋

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendment to PFRS 12: Transition Guidance	✓		
	Amendment to PFRS 12: Investment Entities	✓		
	Amendment to PFRS 10: Investment Entities – Applying the Consolidation Exception* *(effective January 1, 2016)*			✓
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts* *(effective January 1, 2016)*			✓
Philippine Accounting Standards (PAS)				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendment to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendment to PAS 1: Disclosure Initiative* *(effective January 1, 2016)*			✓
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events After the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
PAS 16	Property, Plant and Equipment	✓		
	Amendment to PAS 16: Bearer Plants* *(effective January 1, 2016)*			✓
	Amendment to PAS 16: Clarification of Acceptable Methods of Depreciation and Amortization* *(effective January 1, 2016)*			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Revised)	Employee Benefits	✓		
	Amendment to PAS 19: Defined Benefit Plans - Employee Contributions	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation	✓		
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Revised)	Separate Financial Statements	✓		
	Amendment to PAS 27: Investment Entities	✓		
	Amendment to PAS 27: Equity Method in Separate Financial Statements* *(effective January 1, 2016)*	✓		
PAS 28 (Revised)	Investments in Associates and Joint Ventures	✓		
	Amendment to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* *(effective date deferred indefinitely)*	✓		
	Amendment to PAS 28: Investment Entities - Applying the Consolidation Exception* *(effective January 1, 2016)*	✓		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓

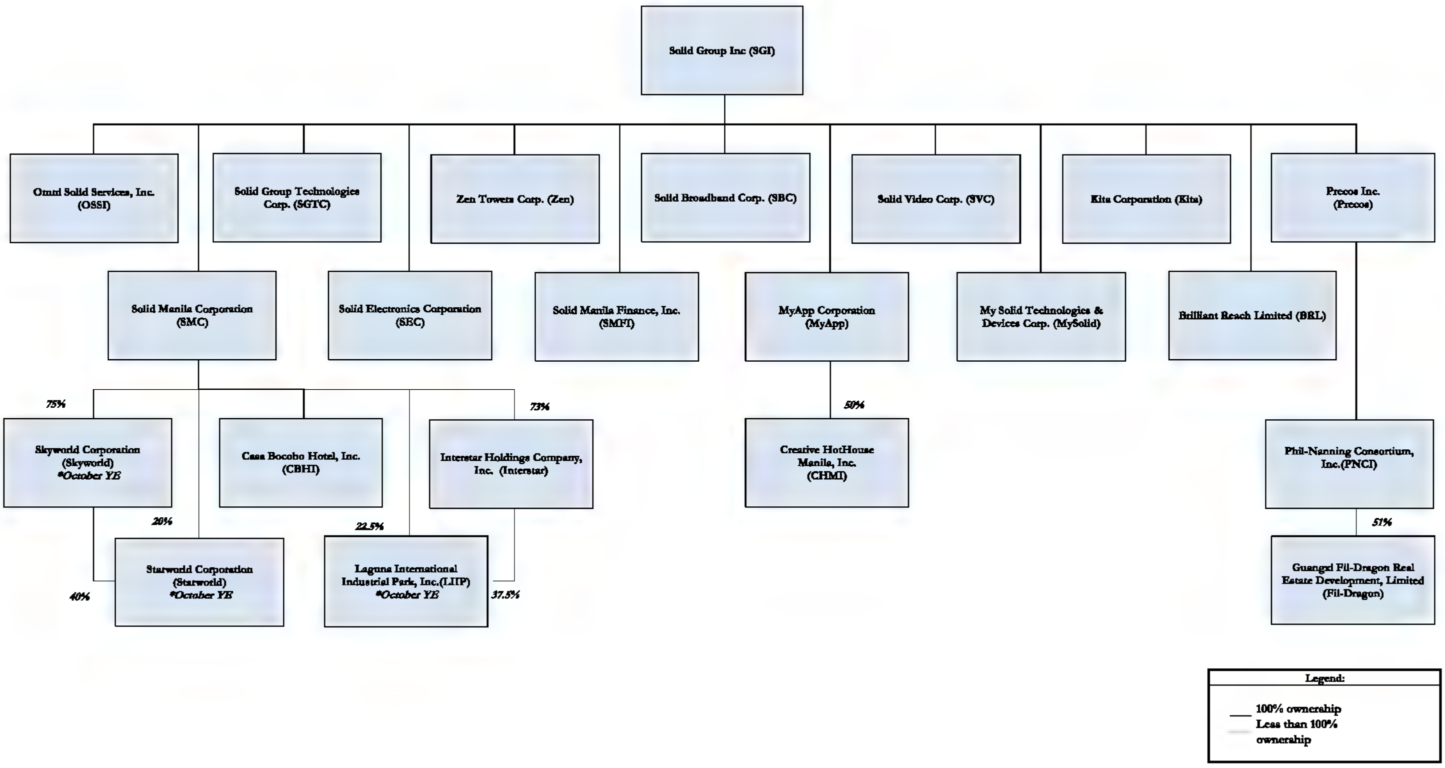
PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PAS 32	Financial Instruments: Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendment to PAS 32: Classification of Rights Issues	✓		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings Per Share	✓		
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets	✓		
	Amendment to PAS 36: Recoverable Amount Disclosures for Non-financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendment to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization* *(effective January 1, 2016)*	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions	✓		
	Amendments to PAS 39: The Fair Value Option	✓		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives	✓		
	Amendment to PAS 39: Eligible Hedged Items	✓		
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting	✓		
PAS 40	Investment Property	✓		
PAS 41	Agriculture			✓
	Amendment to PAS 41: Bearer Plants* *(effective January 1, 2016)*			✓
Philippine Interpretations - International Financial Reporting Interpretations Committee (IFRIC)				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities**	✓		
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	✓		
IFRIC 6	Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29, Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives**	✓		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives**	✓		
IFRIC 10	Interim Financial Reporting and Impairment	✓		
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	♋		
	Amendments to Philippine Interpretations IFRIC - 14, Prepayments of a Minimum Funding Requirement and their Interaction**	♋		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	♋		
IFRIC 17	Distributions of Non-cash Assets to Owners**	♋		
IFRIC 18	Transfers of Assets from Customers**	♋		
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments**	♋		
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine**			♋
IFRIC 21	Levies	♋		
Philippine Interpretations - Standing Interpretations Committee (SIC)				
SIC-7	Introduction of the Euro			♋
SIC-10	Government Assistance - No Specific Relation to Operating Activities			♋
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			♋
SIC-15	Operating Leases - Incentives	♋		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders**	♋		
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	♋		
SIC-29	Service Concession Arrangements: Disclosures			♋
SIC-31	Revenue - Barter Transactions Involving Advertising Services**	♋		
SIC-32	Intangible Assets - Web Site Costs**	♋		

* These standards will be effective for periods subsequent to 2015 and are not early adopted by the Company.

** These standards have been adopted in the preparation of financial statements but the Company has no significant transactions covered in both years presented.

Solid Group Inc. and Subsidiaries
Map Showing the Relationships Between and Among the Company and its Related Parties



SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17 (2)(b) THEREUNDER

1. For the quarterly period ended: March 31, 2016

2. Commission Identification Number: 845

3. BIR Tax Identification No.: 321-000-508-536

4. Exact name of registrant as specified in its charter **SOLID GROUP INC.**

5. Province, Country or other jurisdiction of incorporation: Philippines

6. _________ (SEC Use Only)
Industry Classification Code

7. Address of principal office: Postal Code: 1231
2285 Don Chino Roces Avenue, Makati City, Philippines

8. Telephone No: (632) 843-15-11

9. Former name, former address and former fiscal year, if changed since last report: N/A

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Stock, P1 par value	1,821,542,000 shares

11. Are any or all of the securities listed on the Philippine Stock Exchange?
Yes [X] No [ ]

If yes, state the name of such Stock Exchange and the classes of securities listed therein:

Philippine Stock Exchange Common

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding 12 months (or for such shorter period the registrant was required to file such reports)

Yes [X] No [ ]

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

Yes [X] No [ ]

PART I. – FINANCIAL INFORMATION
Item 1. Financial Statements

The unaudited consolidated financial statements of the Company and its subsidiaries for the three (3) months period ended March 31, 2016 are attached to this report.

Item 2. Management Discussion and Analysis of Financial Condition and Results of Operations

Key Performance Indicators

The following key performance indicators are identified by the Company and included in the discussion of the results of operations and financial condition: revenue growth, asset turnover, operating expense ratio, earnings before interest, taxes, depreciation and amortization (EBITDA), earnings per share (EPS), current ratio and debt to equity ratio.

Key performance indicators for 2016 and 2015 are as follows:

	2016	2015
Revenue growth(decline)	128%	(22%)
Asset turnover	48%	19%
Operating expense ratio	12%	26%
EBITDA	P37 million	(P30 million)
EPS	(P0.001)	(P0.03)
Current ratio	4.04:1	4.34:1
Debt to equity ratio	0.24:1	0.22:1

Revenue growth (decline) is determined as follows: revenues for the current period less revenues for last period divided by the revenues of the previous period.

Asset turnover is computed based on the revenues (annualized) earned during the period divided by the average total assets.

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

EBITDA is determined by adding back interest expense, depreciation and amortization charges, to income from operations before income tax for the period.

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

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

Debt to equity ratio is computed by dividing the total liabilities excluding amounts due to related parties as of end of the period by the total equity as of end of the period.

Revenue increased by 128% for the first quarter of 2016 vs. 22% decrease for the same period in 2015 principally due to higher revenues of the digital mobile devices segment and technical support and solutions segment.

Asset turnover stood higher at 48% for the first quarter of 2016 from 19% for the same period in 2015 as a result of higher revenues for the period.

Operating expense ratio was 12% and 26% for the first quarter of 2016 and 2015, respectively, principally due to higher revenues for the period.

EBITDA amounted to P37 million for the first quarter of 2016 against P30 million loss for the same period in 2015. The increase was mainly due to net income of the technical support and solutions segment.

Earnings per share amounted to P0.001 loss in 2016 for the first quarter of 2016 from P0.03 loss in 2015 mainly from net loss for the period.

Current ratio stood lower at 4.04:1 as of March 31, 2016 and 4.34:1 as of December 31, 2015 primarily due to increase in current liabilities.

Debt to equity ratio stood at 0.24: 1 as of March 31, 2016 from 0.22: 1 as of December 31, 2015 primarily due to higher liabilities.

Results of Operations

Revenues increased by 128% in the first quarter of 2016 reaching P1,484 million from P650 million for the same period in 2015 principally from higher revenues of the digital mobile devices segment and technical support and solutions segment.

Sale of goods amounted to P1,146 million for the first quarter of 2016, higher by 140% from P477 million for the same period in 2015 mainly due to higher volume of sales of the digital products.

Service revenue went up to P285 million for the first quarter of 2016, increasing by 139% for the same period in 2015 of P119 million mainly due to higher revenues of the technical support and solutions segment.

Rental income amounted to P42 million for the first quarter of 2016, higher by 11% from P37 million for the same period in 2015 due to higher occupancy.

Sale of real estate amounted to nil for the first quarter of 2016 and 2015. There was no condominium sale for the period.

Interest income amounted to P10 million for the first quarter of 2016, lower by 28% from P14 million for the same period in 2015 mainly from lower placements in time deposit.

Cost of sales, services, real estate sold and rentals amounted to P1,278 million for the first quarter of 2016, or an increase of 143% from P526 million for the same period in 2015 as discussed below.

Cost of sales amounted to P1,039 million for the first quarter of 2016, higher by 155%, from P406 million for the same period of last year in relation to increase in sales.

Cost of services amounted to P219 million for the first quarter of 2016 from P100 million for the same period of 2015, up by 119% mainly in relation to higher service revenue.

Cost of rentals amounted to P19 million for the first quarter of 2016 and 2015. No material change for this account.

Cost of real estate sold amounted to nil for the first quarter of 2016 and 2015. There was no sale of real estate for the period.

Gross profit amounted to P206 million for the first quarter of 2016 from P123 million for the same period in 2015. The increase of 67% was principally due to higher revenues as explained above and margins of the technical support and solutions segment.

Other operating expenses amounted to P178 million for the first quarter of 2016 from P174 million for the same period of 2015 as explained below.

General and administrative expenses amounted to P91 million for the first quarter of 2016 from P86 million for the same period of 2015. The increase was due to higher taxes and licenses and depreciation charges.

Selling and distribution costs amounted to P 81 million for the first quarter of 2016 from P83 million for the same period of 2015. There was no material change for the period.

Other operating expenses – net amounted to P6 million for the first quarter of 2016, up by 37% from P4 million for the same period in 2015 principally due to higher offset of increase in cash surrender value of life insurance policy.

Operating profit amounted to P27 million for the first quarter of 2016 from P50 million loss for the same period in 2015, a recovery by155% mainly from profit of the technical support and solutions segment.

Other income (charges) amounted to P16 million loss for the first quarter of 2016 against P18 million loss for the same period in 2015 mainly from the following:

Finance costs decreased to P21 million for the first quarter of 2016 compared with P22 million in 2015 primarily due to lower interest cost for our Golden Hill project offset by foreign currency loss of the digital mobile devices segment.

Finance income was higher at P6 million for the first quarter of 2016 compared with P3 million for the same period of last year mainly due to higher interest income from time deposit.

Share on net loss of an associate amounted to P3 million compared to nil for the same period of last year due to net loss from Creative Hothouse Manila, Inc.

Other gains amounted to P918 thousand in the first quarter of 2016 compared with P194 thousand of the previous year mainly from gain on sale of property and equipment.

Profit before tax was P11 million for the first quarter of 2016, an increase of 116 % from P69 million loss for the same period in 2015 mainly due to higher operating profit as explained above.

Tax expense amounted to P17 million for the first quarter of 2016 from P678 thousand tax income in 2015 principally due to higher pre-tax income.

Net loss amounted to P6 million for the first quarter of 2016 against P68 million net loss for the same period in 2015 due to the factors discussed above.

Net loss attributable to equity holders of the parent amounted to P2.1 million for the first quarter of 2016 against P54.1 million net loss in for the same period of 2015 as discussed above.

Net loss attributable to non-controlling interest amounted to P4 million for the first quarter of 2016 compared with P14 million loss in 2015 primarily due to lower reported losses of the Golden Hill project in Nanning, China.

Financial Position

Cash and cash equivalents amounted to P2,786 million as of March 31, 2016 up by 8% from P2,576 million as of December 31, 2015. Cash was provided from operating activities mainly from decrease in merchandise inventories and supplies and increase in trade and other payables.

Financial assets at fair value through profit or loss amounted to P161 million as of March 31, 2016, up by 31% from P123 million as of December 31, 2015 from acquisition of unit investments in trust funds.

Trade and other receivables reached P1,566 million as of March 31, 2016 against P1,278 million as of December 31, 2015, or an increase of 23% due higher advances to suppliers of the myphone business. Trade customers are generally established and stable companies with reasonable assurance of collectibility of their accounts. Nonetheless, trade accounts are periodically reviewed to assess the possible losses from non-collection and allowance is provided for possible losses on accounts which are considered doubtful of collection.

Advances to related parties amounted to P1.4 million as of March 31, 2016 and P1.6 million as of December 31, 2015, a decrease of 15% due to collection of advances.

Merchandise inventories and supplies - net amounted to P574 million as of March 31, 2016, compared with P866 million as of December 31, 2015 mainly from lower merchandise and finished goods for digital products.

Real estate inventories amounted to P1,635 million as of March 31, 2016 and P1,647 million as of December 31, 2015. There was no material change for this account.

Other current assets amounted to P346 million as of March 31, 2016 compared with P471 million as of December 31, 2015, a decrease of 26% due to lower prepayments.

Total current assets reached P 7,072 million as of March 31, 2016 from P6,964 million as of December 31, 2015 mainly from higher trade and other receivables as discussed above.

Non-current trade and other receivables amounted to P591 million as of March 31, 2016 from P601 million as of December 31, 2015. There was no material change for this account.

Non-current available-for-sale financial assets stood at P13 million as of March 31, 2016 and December 31, 2015. There was no material change for this account.

Property and equipment amounted to P1,847 million as of March 31, 2016 from P1,815 million as of December 31, 2015. There was no material change for this account.

Investment property decreased to P2,645 million as of March 31, 2016 from P2,653 as of December 31, 2015. There was no material change for this account.

Post-employment benefit assets amounted to P 117 million as of March 31, 2016 and December 31, 2015.

Deferred tax assets - net amounted to P173 million as of March 31, 2016 and P166 million as of December 31, 2015, an increase of 5% due to recognition of deferred tax assets on MCIT and NOLCO.

Other non-current assets amounted to P25 million as of March 31, 2016 or a decrease of 14% from P29 million as of December 31, 2015 primarily due to lower deferred input VAT and recognition of share in net loss of an associate in the first quarter of 2016.

Total non-current assets amounted to P5,415 million as of March 31, 2016 from P5,396 million as of December 31, 2015 as discussed above.

Total assets reached P12,487 million as of March 31, 2016 from P12,361 million as of December 31, 2015 as discussed above.

Interest-bearing loans amounted to P253 million as of March 31, 2016 from P257 million as of December 31, 2015. There was no material change for this account.

Trade and other payables amounted to P799 million as of March 31, 2016 against P636 million as of December 31, 2015, higher by 26% due to higher trade payables.

Customers' deposits amounted to P562 million as of March 31, 2016 versus P550 million as of December 31, 2015. There was no material change for this account.

Advances from related parties amounted to P46 million as of March 31, 2016 , a decrease of 36% from P73 million as of December 31, 2015 due to payment of advances.

Estimated liability for land and land development costs amounted to P 68 million as of March 31, 2016 and December 31, 2015.

Income tax payable amounted to P20 million as of March 31, 2016 from P19 million as of December 31, 2015 mainly from tax expense for the period.

Total current liabilities stood at P1,751 million as of March 31, 2016 from P1,606 million as of December 31, 2015 as a result of higher trade and other payable.

Non-current refundable deposits amounted to P19.6 million as of March 31, 2016 from P19 million as of December 31, 2015 from additional customers' deposits.

Post employment benefit obligation amounted to P19 million as of March 31, 2016 and as of December 31, 2015. This represents the unfunded retirement obligation of certain subsidiaries.

Deferred tax liabilities -net amounted to P647 million as of March 31, 2016 and December 31, 2015. There was no change for this account.

Total non-current liabilities amounted to P687 million as of March 31, 2016 from P686 million as of December 31, 2015.

Total liabilities amounted to P2,438 million as of March 31, 2016 from P2,292 million as of December 31, 2015.

Capital stock stood at P2,030 million as of March 31, 2016 and December 31, 2015.

Additional paid-in capital amounted to P4,641 million as of March 31, 2016 and December 31, 2015.

Treasury shares amounted to P115 million as of March 31, 2016 and December 31, 2015.

Revaluation reserves amounted to P22 million as of March 31, 2016 from P35 million as of December 31, 2015 due to currency differences in translating financial statements of foreign operation.

Retained earnings amounted to P2,965 million as of March 31, 2016 from P2,967 million as of December 31, 2015 as a result of net loss during the period.

Total equity attributable to Equity holders of Parent amounted to P9,545 million as of March 31, 2016 from P9,559 million as of December 31, 2015 mainly due to lower retained earnings.

Non-controlling interests amounted to P504 million as of March 31, 2016 from P508 million as of December 31, 2015 primarily due to losses of the Golden Hill project in Nanning, China.

Total equity amounted to P10,049 million as of March 31, 2016 from P10,068 million as of December 31, 2015.

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.

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

The Company estimates capital expenditures for the year 2016 to amount to P350 million for various real estate development and upgrade of facilities. The purchase and/or construction of these capital expenditures will be financed primarily through the funds of the Company.

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

On May 8, 2015, Solid Manila Corporation sold its property located in Balintawak, Quezon City. As a result, the Company expects its annual rental revenues to decline by about 15%.

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

None

vii. Causes for any Material Changes from Period to Period

Discussion of the material changes for each account is included in the Management Discussion and Analysis

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

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

PART II –OTHER INFORMATION

None

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SOLID GROUP INC.

DAVID S. LIM

President & Chief Executive Officer

VINCENT S. LIM

SVP & Chief Financial Officer

May 19, 2016

Solid Group Inc. and Subsidiaries

Unaudited Consolidated Financial Statements

March 31, 2016 and December 31, 2015

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

	Notes		2016		2015
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	5	**P**	**2,786,978,854**	P	2,576,733,713
Financial assets at fair value through profit or lo	6		**161,341,604**		123,008,280
Trade and other receivables - net	7		**1,566,482,087**		1,278,551,759
Advances to related parties	25		**1,400,000**		1,653,330
Merchandise inventories and supplies - net	9		**574,084,638**		866,155,332
Real estate inventories - net	10		**1,635,084,961**		1,647,230,066
Other current assets	13		**346,861,723**		471,456,471
Total Current Assets			**7,072,233,867**		6,964,788,951
NON-CURRENT ASSETS					
Trade and other receivables	7		**591,836,274**		601,637,151
Available-for-sale financial assets - net	8		**13,993,785**		13,836,527
Property and equipment - net	11		**1,847,205,655**		1,815,172,613
Investment property - net	12		**2,645,991,047**		2,653,219,534
Post-employment benefit asset	21		**117,281,818**		117,281,818
Deferred tax assets - net	22		**173,761,492**		166,196,351
Other non-current assets - net	13		**25,459,941**		29,488,729
Total Non-current Assets			**5,415,530,012**		5,396,832,723
TOTAL ASSETS		**P**	**12,487,763,879**	P	12,361,621,674

	Notes	2016	2015
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Interest-bearing loans	14	**P 253,530,441**	P 257,142,182
Trade and other payables	15	**799,576,799**	636,730,400
Customers' deposits		**562,250,350**	550,935,829
Advances from related parties	25	**46,642,374**	73,258,388
Estimated liability for land and land development costs		**68,304,647**	68,304,647
Income tax payable		**20,831,940**	19,922,914
Total Current Liabilities		**1,751,136,551**	1,606,294,360
NON-CURRENT LIABILITIES			
Refundable deposits	16	**19,685,674**	19,022,892
Post-employment benefit obligation	21	**19,739,454**	19,739,454
Deferred tax liabilities - net	22	**647,717,364**	647,717,364
Total Non-current Liabilities		**687,142,492**	686,479,710
Total Liabilities		**2,438,279,043**	2,292,774,070
EQUITY			
Equity attributable to the Parent Company's stockholders			
Capital stock	23	**2,030,975,000**	2,030,975,000
Additional paid-in capital		**4,641,701,922**	4,641,701,922
Treasury shares - at cost		**(115,614,380)**	(115,614,380)
Revaluation reserves	23	**22,373,112**	35,038,173
Retained earnings	23	**2,965,772,944**	2,967,881,891
Total equity attributable to the Parent Company's stockholders		**9,545,208,598**	9,559,982,606
Non-controlling interests	2	**504,276,238**	508,864,998
Total Equity		**10,049,484,836**	10,068,847,604
TOTAL LIABILITIES AND EQUITY		**P 12,487,763,879**	P 12,361,621,674

See Notes to Consolidated Financial Statements.

SOLID GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2016 AND 2015
(Amounts in Philippine Pesos)

	Notes	2016	2015
REVENUES			
Sale of goods	2	P 1,146,095,592	P 477,924,918
Rendering of services	25, 26	285,817,625	119,628,470
Rentals	12, 25, 2	42,143,995	37,824,538
Interests	7, 20, 25	10,765,944	14,852,114
Sale of real estate	2	-	-
		1,484,823,156	650,230,040
COST OF SALES, SERVICES, REAL ESTATE SOLD AND RENTALS			
Cost of sales	17	1,039,300,316	406,978,662
Cost of services	17	219,056,130	100,042,141
Cost of rentals	12, 17	19,736,097	19,527,823
Cost of real estate sold		-	-
		1,278,092,543	526,548,626
GROSS PROFIT		206,730,613	123,681,414
OTHER OPERATING EXPENSES (INCOME)			
General and administrative expenses	18	91,804,662	86,303,131
Selling and distribution costs	18	81,090,645	83,423,168
Other operating expenses - net	19	6,026,559	4,403,418
		178,921,866	174,129,717
OPERATING PROFIT (LOSS)		27,808,747	(50,448,303)
OTHER INCOME (CHARGES)			
Finance costs	20	(21,350,581)	(22,713,736)
Finance income	20	6,904,962	3,838,568
Share in net loss of an associate	13	(3,194,282)	
Other gains	20	918,761	194,725
		(16,721,140)	(18,680,443)
PROFIT (LOSS) BEFORE TAX		11,087,607	(69,128,746)
TAX EXPENSE (INCOME)	22	17,785,314	(678,533)
PROFIT (LOSS) FOR THE PERIOD		(6,697,707)	(P 68,450,213)
Net Profit (Loss) for the period attributable to the:			
Parent Company's stockholders	24	(P 2,108,947)	(P 54,117,358)
Non-controlling interests		(4,588,760)	(14,332,855)
		(P 6,697,707)	(P 68,450,213)
Earnings (Loss) per share attributable to the Parent Company's stockholders - basic and dilut	24	(P 0.00)	(P 0.03)

See Notes to Consolidated Financial Statements.

SOLID GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2016 AND 2015
(Amounts in Philippine Pesos)

	Notes	2016	2015
NET PROFIT (LOSS) FOR THE PERIOD		**(P 6,697,707)**	(P 68,450,213)
OTHER COMPREHENSIVE INCOME (LOSS)			
Reclassification adjustments for losses recognized in profit or loss		**-**	
Fair value gains (losses) on available-for-sale financial assets, net of taxes		**-**	
Deferred tax income on changes in fair value of available-for-sale financial assets			
Currency exchange differences on translating financial statements of foreign operations	2, 23	**(12,665,061)**	1,299,813
Remeasurement of post-employment defined benefit plan			
Tax expense		**-**	-
		(12,665,061)	1,299,813
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**(P 19,362,768)**	(P 67,150,400)
Total comprehensive income (loss) for the period attributable to:			
Parent Company's stockholders		**(P 14,774,008)**	(P 52,817,545)
Non-controlling interests		**(4,588,760)**	(14,332,855)
		(P 19,362,768)	(P 67,150,400)

See Notes to Consolidated Financial Statements.

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

	Note	2016	2015
EQUITY ATTRIBUTABLE TO THE PARENT COMPANY'S STOCKHOLDERS			
CAPITAL STOCK - P1 par value			
Authorized - 5,000,000,000 shares			
Issued - 2,030,975,000 shares			
Outstanding - 1,821,542,000 shares		**P 2,030,975,000**	P 2,030,975,000
ADDITIONAL PAID-IN CAPITAL		**4,641,701,922**	4,641,701,922
TREASURY SHARES - at cost			
Acquired at P0.5520 per share - 209,433,000 shares		**(115,614,380)**	(115,614,380)
REVALUATION RESERVES			
Balance at beginning of year		**35,038,173**	21,082,300
Other comprehensive income (loss) for the period	8, 21, 22	**(12,665,061)**	1,299,813
Balance at end of the period		**22,373,112**	22,382,113
RETAINED EARNINGS (DEFICIT)			
Balance at beginning of year			
As previously reported		**2,967,881,891**	2,590,367,022
Prior period adjustments, net of tax		-	-
As restated		**2,967,881,891**	2,590,367,022
Profit (loss) for the year attributable to the Parent Company's stockholders		**(2,108,947)**	(54,117,358)
Cash dividends		**-**	-
Balance at end of the period		**2,965,772,944**	2,536,249,664
Total Equity Attributable to the Parent Company's stockholders		**9,545,208,598**	9,115,694,319
NON-CONTROLLING INTERESTS			
Balance at beginning of year		**508,864,998**	322,767,445
Additional non-controlling interests on acquired subsidiary			6,500,000
Profit (loss) for the period attributable to non-controlling interest		**(4,588,760)**	(14,332,855)
Balance at end of the period		**504,276,238**	314,934,590
TOTAL EQUITY	23	**P 10,049,484,836**	P 9,430,628,909
Total comprehensive income (loss) for the period attributable to:			
Parent Company's stockholders		**(P 14,774,008)**	(P 52,817,545)
Non-controlling interests		**(4,588,760)**	(14,332,855)
		(P 19,362,768)	(P 67,150,400)

See Notes to Consolidated Financial Statements.

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

	Notes	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit (loss) before tax		**11,087,607**	(69,128,746)
Adjustments for:			
Interest income		**(10,765,944)**	(17,124,616)
Depreciation and amortization		**19,948,607**	17,975,273
Impairment losses on trade and other receivables			85,778
Interest expense		**5,614,483**	21,518,080
Gain on redemption of financial assets		**(129,831)**	(363,056)
Fair value gains on financial assets at fair value through profit or loss		**(196,372)**	
Loss (reversal) on inventory obsolescence		**7,159,059**	
Unrealized foreign currency losses (gains) - net		**12,544,513**	(287,249)
Fair value loss (gains) on investment property - net			
Gain on derecognition of liabilities			
Interest amortization on refundable deposits			
Loss (Gain) on sale of investment property			
Gain on sale of property and equipment			
Impairment (reversal) losses on available-for-sale financial assets		**-**	-
Operating profit before working capital changes		**45,262,122**	(47,324,536)
Decrease (increase) in trade and other receivables		**(274,845,886)**	354,525,477
Decrease (increase) in available-for-sale financial assets			(363,056)
Decrease (increase) in financial assets at fair value through profit or loss			
Decrease (increase) in merchandise inventories and supplies		**284,911,635**	(179,855,945)
Decrease (increase) in real estate inventories		**(519,956)**	(1,756,811)
Decrease (increase) in advances to related parties		**253,330**	3,957,937
Decrease (increase) in other current assets		**124,594,748**	49,726,004
Decrease (increase) in retirement benefit asset		**-**	
Decrease (increase) in deferred tax assets		**(7,565,141)**	(12,707,882)
Decrease (increase) in other non-current assets		**4,028,788**	19,835,261
Increase (decrease) in trade and other payables		**163,252,527**	(98,170,802)
Increase in estimated liability for land and land development costs		**-**	
Increase (decrease) in customers' deposits		**11,314,521**	28,442,824
Increase (decrease) in advances from related parties		**(26,616,014)**	2,770,843
Increase (decrease) in refundable deposits		**662,782**	2,260,219
Increase (decrease) in retirement benefit obligation		**-**	
Increase (decrease) in deferred tax liabilities		**-**	-
Cash generated from (used in) operations		**324,733,456**	121,339,534
Interest received		**13,261,488**	14,852,114
Cash paid for income taxes		**(16,876,288)**	4,796,956
Net Cash From Operating Activities		**321,118,656**	140,988,604
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease (Acquisition) of financial assets at fair value through profit or loss		**(38,007,121)**	595,722,376
Proceeds from redemption of financial assets at fair value through profit or loss			
Decrease (Acquisitions) of property and equipment		**(51,981,649)**	(11,686,892)
Interest received		**(5,779,109)**	1,761,317
Minority interest			6,500,000
Acquisition of available-for-sale financial assets		**(157,258)**	
Cash proceeds from disposal of investment property			
Decrease (Additions) to investment property		**7,228,487**	6,044,634
Net Cash Used in Investing Activities		**(88,696,650)**	598,341,435

	Notes	2016	2015
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from (repayments of) interest-bearing loans - net		**(3,611,741)**	30,834,174
Dividends paid			
Interest paid		**(6,020,611)**	(20,649,709)
Net Cash From (Used in) Financing Activities		**(9,632,352)**	10,184,465
Effect of Currency Rate Changes on Cash and Cash Equivalents		**(12,544,513)**	287,249
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**210,245,141**	749,801,753
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**2,576,733,713**	1,623,834,847
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		**P 2,786,978,854**	P 2,373,636,600

See Notes to Consolidated Financial Statements.

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

1. CORPORATE INFORMATION

1.1 Company Background

Solid Group Inc. (SGI or the Parent Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on October 16, 1933.
On February 22, 1982, the SEC approved the extension of SGI's corporate life for another 50 years. 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 ownership interests in the following subsidiaries and associate (the Parent Company and the subsidiaries are collectively referred to herein as "the Group"):

Subsidiaries/Associate	Percentage of Ownership 2016	2015	Notes	Nature of Business
Subsidiaries:				
Brilliant Reach Limited (BRL)	**100**	100	(a)	Investment holding company
Kita Corporation (Kita)	**100**	100		Leasing of real estate properties
Solid Broadband Corporation (SBC)	**100**	100		Broadband, cable and satellite services and sale of LCD televisions
Solid Group Technologies Corporation (SGTC)	**100**	100		Trading of prefabricated modular house and office units
Precos, Inc. (Precos)	**100**	100	(c)	Real estate
Solid Electronics Corporation (SE Corp.)	**100**	100		Repair services for audio and video products
Solid Manila Corporation (SMC)	**100**	100		Leasing of real estate properties and hotel operations
Casa Bocobo Hotel, Inc. (CBHI)	**100**	100	(b)	Hotel operations
Solid Manila Finance, Inc. (SMFI)	**100**	100		Financing
Solid Video Corporation (SVC)	**100**	100		Trading of professional audio and video equipment
Zen Towers Corporation (ZTC)	**100**	100		Real estate
Phil-Nanning Consortium, Inc. (PNCI)	**100**	100	(f)	Investment holding company
My Solid Technologies & Devices Corporation (My Solid)	**100**	100		Sale of mobile phones, devices and accessories
Omni Solid Services, Inc. (OSSI) [formerly Solid Laguna Corporation (SLC)]	**100**	100	(i)	Logistics and assembly of consumer electronics products
MyApp Corporation (MyApp)	**100**	100	(h)	Investment holding company
Skyworld Corporation (Skyworld)	**75**	75	(b), (c)	Investment holding company
Interstar Holdings Company, Inc. (Interstar)	**73**	73	(b), (c)	Investment holding company
Fil-Dragon Real Estate Development, Ltd. (Fil-Dragon)	**51**	51	(g)	Real estate
Starworld Corporation (Starworld)	**50**	50	(b), (e)	Real estate
Laguna International Industrial Park, Inc. (LIIP)	**50**	50	(b), (d)	Real estate
Associate –				
Creative HotHouse Manila, Inc. (CHMI)	**50**	-	(j)	Development of mobile application

Notes:
(a) Incorporated and domiciled in the British Virgin Islands
(b) Indirectly owned through SMC
(c) Pre-operating or non-operating
(d) LIIP is 22.5% owned by SMC and 37.5% owned by Interstar
(e) Starworld is 20% owned by SMC and 40% owned by Skyworld
(f) Indirectly owned through Precos
(g) Indirectly owned through PNCI; incorporated and domiciled in the People's Republic of China (PRC)
(h) Incorporated on October 23, 2014; has not yet started commercial operation as of December 31, 2015
(i) On March 19, 2012, the SEC approved the change in corporate name of SLC to OSSI.
(j) Indirectly owned through MyApp; incorporated on February 5, 2015; has not yet started commercial operations as of December 31, 2015

SBC holds a provisional authority, granted by the National Telecommunications Commission, to use its legislative franchise under Republic Act (RA) No. 9116, *An Act Granting Solid Broadband Corporation a Franchise to Construct, Install, Establish, Operate and Maintain Telecommunications Systems throughout the Philippines* (see Note 26.3).

SMFI is subject to the rules and regulations provided under RA No. 8556, *The Financing Company Act of 1998*.

1.2 Status of Operation

(a) Recognition of Real Estate Sales of Fil-Dragon

In prior years, Fil-Dragon started its pre-selling activities in relation to the Golden Hill Project located in Nanning City, Guangxi Province in PRC. However, no real estate sales were recognized, pending the receipt of the certificates of property ownership from the Chinese government. Accordingly, collections from real estate buyers were recognized as part of Customers' Deposits in the consolidated statements of financial position. In 2015, Fil-Dragon has obtained the certificates of property ownership; hence, it recognized real estate sales amounting to ¥242.5 million (P1.8 billion) in the 2015 consolidated statement of income, which represents those that have already reached the Group's revenue recognition threshold of at least 25% collection of the total contract price (see Note 2.15).

(b) Start of Commercial Operations of Green Sun Hotel

On April 1, 2014, the Board of Directors (BOD) and stockholders of SMC approved the amendment to its Articles of Incorporation to include hotel operations in its secondary purpose. The amendment was approved by the SEC on April 4, 2014.

Subsequently, on October 29, 2014, Green Sun Hotel officially started its hotel and related business operations under SMC. The Hotel offers 144 guest rooms, 13 serviced apartments, three penthouse suites, a fashion boutique, three food and beverage outlets, and a function hall situated at 2285 Don Chino Roces Avenue, Makati City. In relation to this, SMC signed an agreement with CBHI for the management of the hotel's properties and operations.

1.3 Other Corporate Information

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

BRL	-	2nd Floor, Abbott Building, P.O. Box 933, Road Town, Tortola, British Virgin Islands
Kita	-	N7175 Gil Puyat Ave. cor. Feati St., Clark Freeport Zone, Clarkfield, Pampanga
OSSI	-	Solid Street, LIIP, Mamplasan, Biñan, Laguna
SMC and CBHI	-	1000 J. Bocobo St., Ermita, Manila
SE Corp.	-	1172 E. delos Santos Avenue, Balintawak, Quezon City
Starworld	-	Bo. Prinza, Calamba City
ZTC	-	1111 Natividad A. Lopez Street, Brgy. 659-A, Zone 79 District 5, Ermita, Manila
PNCI	-	139 Joy St. Balingasa, Quezon City
Fil-Dragon	-	16 Zhujin Road, ASEAN Commercial Park, Nanning City, Guangxi Province, PRC

1.4 Approval for Issuance of Consolidated Financial Statements

The consolidated financial statements of the Group as of and for the year ended December 31, 2015 (including the comparative consolidated financial statements as of December 31, 2014 and for the years ended December 31, 2014 and 2013) were authorized for issue by the Parent Company's BOD on March 28, 2016.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarized below and in the succeeding pages. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of Preparation of Consolidated Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board (IASB), and approved by the Philippine Board of Accountancy.

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

(b) Presentation of Consolidated Financial Statements

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

The Group presents a 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.

(c) Functional and Presentation Currency

These consolidated financial statements are presented in Philippine pesos, the Parent Company'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 the Parent Company's functional currency, which is the currency of the primary economic environment in which the Parent Company operates.

2.2 Adoption of New and Amended PFRS

(a) Effective in 2016 that are Relevant to the Group

The Group adopted for the first time the following amendment and annual improvements to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2016:

PAS 1 (Amendment)	:	Presentation of Financial Statements – Disclosure Initiative
PAS 16 and 38 (Amendments)	:	Property, Plant and Equipment and Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization
PAS 28 (Amendment)	:	Investments in Associates and Joint Ventures – Investment Entities – Applying the Consolidation Exception
PFRS 10, 12 and PAS 28 (Amendments)	:	Consolidated Financial Statements, Disclosure of Interest in Other Entities and Investments in Associates and Joint Ventures – Applying the Consolidation Exception
PFRS 11 (Amendment)	:	Joint Arrangements – Accounting for Acquisitions of Interest in Joint Operations
Annual Improvements	:	Annual Improvements to PFRS (2012-2014 Cycle)

Discussed below are the relevant information about these amended standards and improvements.

(i) PAS 1 (Amendment), *Presentation of Financial Statements – Disclosure Initiative.* The amendment encourages entities to apply professional judgment in presenting and disclosing information in the financial statements. Accordingly, it clarifies that the principle of materiality applies to the whole financial statements and an entity shall not reduce the understandability of the financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions. Moreover, the amendment clarifies that an entity's share of other comprehensive income of associates and joint ventures accounted for using equity method should be presented based on whether or not such other comprehensive income item will subsequently be reclassified to profit or loss. It further clarifies that in determining the order of presenting the notes and disclosures, an entity shall consider the understandability and comparability of the financial statements.

(ii) PAS 16 (Amendment), *Property, Plant and Equipment,* and PAS 38 (Amendment), *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization.* The amendment in PAS 16 clarifies that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment. In addition, amendment to PAS 38 introduces a rebuttable presumption that an amortization method that is based on the revenue generated by an activity that includes the use of an intangible asset is not appropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of an intangible asset are highly correlated. The amendment also provides guidance that the expected future reductions in the selling price of an item that was produced using the asset could indicate an expectation of technological or commercial obsolescence of an asset, which may reflect a reduction of the future economic benefits embodied in the asset.

(iii) PAS 28 (Amendment), *Investments in Associates and Joint Ventures – Investment Entities – Applying the Consolidation Exception.* This amendment addresses the concerns that have arisen in the context of applying the consolidation exception for investment entities. This amendment permits a non-investment entity investor, when applying the equity method of accounting for an associate or joint venture that is an investment entity, to retain the fair value measurement applied by that investment entity associate or joint venture to its interests in subsidiaries.

(iv) PFRS 10 (Amendment), *Consolidated Financial Statements,* PFRS 12, *Disclosure of Interests in Other Entities,* and PAS 28 (Amendment), *Investments in Associates and Joint Ventures – Investment Entities – Applying the Consolidation Exception.* This amendment addresses the concerns that have arisen in the context of applying the consolidation exception for investment entities. It clarifies which subsidiaries of an investment entity are consolidated in accordance with paragraph 32 of PFRS 10 and clarifies whether the exemption to present consolidated financial statements, set out in paragraph 4 of PFRS 10, is available to a parent entity that is a subsidiary of an investment entity. This amendment also permits a non-investment entity investor, when applying the equity method of accounting for an associate or joint venture that is an investment entity, to retain the fair value measurement applied by that investment entity associate or joint venture to its interests in subsidiaries.

(v) PFRS 11 (Amendment), *Joint Arrangements – Accounting for Acquisitions of Interest in Joint Operations.* This amendment requires the acquirer of an interest in a joint operation in which the activity constitutes a business as defined in PFRS 3 to apply all accounting principles and disclosure requirements on business combinations under PFRS 3 and other PFRSs, except for those principles that conflict with the guidance in PFRS 11.

(vi) Annual Improvements to PFRS (2012-2014 Cycle). Among those improvements, the following amendments are relevant to the Group but had no material impact on the Group's consolidated financial statements as these amendments merely clarify the existing requirements:

- PAS 19 (Amendment), *Employee Benefits – Discount Rate.* The amendment clarifies that the currency and term of the high quality corporate bonds which were used to determine the discount rate for post-employment benefit obligations shall be made consistent with the currency and estimated term of the post-employment benefit obligations.

- PAS 34 (Amendment) *Interim Financial Reporting – Disclosure of Information "Elsewhere in the Interim Financial Report".* The amendment clarifies the meaning of disclosure of information "elsewhere in the interim financial report" and requires the inclusion of a cross-reference from the interim financial statements to the location of this referenced information. The amendment also specifies that this information must be available to users of the interim financial statements on the same terms as the interim financial statements and at the same time, otherwise the interim financial statements will be incomplete.

- PFRS 7 (Amendment), *Financial Instruments: Disclosures – Servicing Contracts.* The amendment provides additional guidance to help entities identify the circumstances under which a contract to "service" financial assets is considered to be a continuing involvement in those assets for the purposes of applying the disclosure requirements of PFRS 7. Such circumstances commonly arise when, for example, the servicing is dependent on the amount or timing of cash flows collected from the transferred asset or when a fixed fee is not paid in full due to non-performance of that asset.

- PFRS 7 (Amendment), *Financial Instruments: Disclosure – Applicability of Amendments to PFRS 7 to Condensed Interim Financial Statements.* This amendment clarifies that the additional disclosure required by the recent amendments to PFRS 7 related to offsetting financial assets and financial liabilities is not specifically required for all interim periods. However, the additional disclosure is required to be given in condensed interim financial statements that are prepared in accordance with PAS 34, when its inclusion would be necessary in order to meet the general principles of PAS 34.

(b) Effective in 2016 that are not Relevant to the Group

Among the amendments to PFRS which are effective for the annual period beginning on or after July 1, 2015, only PFRS 14 (Amendment), *Regulatory Deferral Accounts,* is not relevant to the Group.

(c) Effective Subsequent to 2016 but not Adopted Early

There are new PFRS, amendments and annual improvements to existing standards effective for annual periods subsequent to 2016 which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions, and, unless otherwise stated, none of these are expected to have significant impact on the Group's consolidated financial statements:

(vii) PFRS 10 (Amendment), *Consolidated Financial Statements,* and PAS 28 (Amendment), *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associates or Joint Venture* (effective date deferred indefinitely). The amendment to PFRS 10 requires full recognition in the investor's financial statements of gains or losses arising on the sale or contribution of assets that constitute a business as defined in PFRS 3 between an investor and its associate or joint venture. Accordingly, the partial recognition of gains or losses (i.e., to the extent of the unrelated investor's interests in an associate or joint venture) only applies to those sale or contribution of assets that do not constitute a business. Corresponding amendment has been made to PAS 28 to reflect these changes. In addition, PAS 28 has been amended to clarify that when determining whether assets that are sold or contributed constitute a business, an entity shall consider whether the sale or contribution of those assets is part of multiple arrangements that should be accounted for as a single transaction. In December 2015, the IASB deferred the mandatory effective date of these amendments (i.e., from January 1, 2016) indefinitely.

(viii) PFRS 9 (2014), *Financial Instruments* (effective from January 1, 2018). This new standard on financial instruments will eventually replace PAS 39 and PFRS 9 (2009, 2010 and 2013 versions). This standard contains, among others, the following:

- three principal classification categories for financial assets based on the business model on how an entity is managing its financial instruments;
- an expected loss model in determining impairment of all financial assets that are not measured at fair value through profit or loss (FVTPL), which generally depends on whether there has been a significant increase in credit risk since initial recognition of a financial asset; and,
- a new model on hedge accounting that provides significant improvements principally by aligning hedge accounting more closely with the risk management activities undertaken by entities when hedging their financial and non-financial risk exposures.

In accordance with the financial asset classification principle of PFRS 9 (2014), a financial asset is classified and measured at amortized cost if the asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows that represent solely payments of principal and interest (SPPI) on the principal outstanding. Moreover, a financial asset is classified and subsequently measured at fair value through other comprehensive income if it meets the SPPI criterion and is held in a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets. All other financial assets are measured at FVTPL.

In addition, PFRS 9 (2014) allows entities to make an irrevocable election to present subsequent changes in the fair value of an equity instrument that is not held for trading in other comprehensive income.

The accounting for embedded derivatives in host contracts that are financial assets is simplified by removing the requirement to consider whether or not they are closely related, and, in most arrangements, do not require separation from the host contract.

For liabilities, the standard retains most of the PAS 39 requirements which include amortized cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The amendment also requires changes in the fair value of an entity's own debt instruments caused by changes in its own credit quality to be recognized in other comprehensive income rather than in profit or loss.

Management is currently assessing the impact of PFRS 9 on the consolidated financial statements of the Group and it will conduct a comprehensive study of the potential impact of this standard prior to its mandatory adoption date to assess the impact of all changes.

(i) Annual Improvements to PFRS (2012-2014 Cycle) (effective from January 1, 2016). Among the improvements, the following amendments are relevant to the Group but management does not expect these to have material impact on the Group's consolidated financial statements:

- PAS 19 (Amendment), *Employee Benefits*. The amendment clarifies that the currency and term of the high quality corporate bonds which were used to determine the discount rate for post-employment benefit obligations shall be made consistent with the currency and estimated term of the post-employment benefit obligations.

- PFRS 7 (Amendment), *Financial Instruments – Disclosures*. The amendment provides additional guidance to help entities identify the circumstances under which a contract to "service" financial assets is considered to be a continuing involvement in those assets for the purposes of applying the disclosure requirements of PFRS 7. Such circumstances commonly arise when, for example, the servicing is dependent on the amount or timing of cash flows collected from the transferred asset or when a fixed fee is not paid in full due to non-performance of that asset.

2.3 Basis of Consolidation

The Group's consolidated financial statements comprise the accounts of the Parent Company and its subsidiaries as enumerated in Note 1.1, after the elimination of intercompany transactions. All intercompany assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities under the Group are eliminated in full on consolidation. Unrealized profits and losses from intercompany transactions that are recognized in assets are also eliminated in full. Intercompany losses that indicate impairment are recognized in the consolidated financial statements.

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

The Parent Company accounts for its investments in subsidiaries, associate and non-controlling interests (NCI) as follows:

(a) Investments in Subsidiaries

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

The Parent Company reassesess whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of controls indicated above. Accordingly, entities are deconsolidated from the date that control ceases.

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

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

The excess of the consideration transferred, the amount of any NCI in the acquiree and the acquisition-date fair value of any existing equity interest in the acquiree over the acquisition-date fair value of identifiable net assets acquired is recognized as goodwill. If the consideration transferred is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly as gain in profit or loss (see Note 2.13).

(b) Investments in an Associate

An associate is an entity over which the Parent Company is able to exert significant influence but which is neither a subsidiary nor interest in a joint venture. Investments in an associate is initially recognized at cost and subsequently accounted for using the equity method.

Acquired investments in an associate is subject to the purchase method. The purchase method involves the recognition of the acquiree's identifiable assets and liabilities, including contingent liabilities, regardless of whether they were recorded in the financial statements prior to acquisition. Goodwill represents the excess of acquisition cost over the fair value of the Group's share of the identifiable net assets of the acquiree at the date of acquisition. Any goodwill or fair value adjustment attributable to the Group's share in the associate is included in the amount recognized as investment in an associate.

All subsequent changes to the ownership interest in the equity of the associate are recognized in the Group's carrying amount of the investments. Changes resulting from the profit or loss generated by the associate are reported as Share in Net Profit (Loss) of an Associate in the Group's consolidated statement of income.

Impairment loss is provided when there is objective evidence that the investment in an associate will not be recovered (see Note 2.18).

Changes resulting from other comprehensive income of the associate or items recognized directly in the associate's equity are recognized in other comprehensive income or equity of the Group, as applicable. However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognizing its share of those profits only after its share of the profits exceeds the accumulated share of losses that has previously not been recognized.

In computing for the share in net profit or loss of an associate, unrealized gains or losses on transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associate. Where unrealized losses are eliminated, the underlying asset is also tested for impairment from a Group perspective.

Distributions received from the associates are accounted for as a reduction of the carrying value of the investment.

If the investment in an associate is subsequently sold, the Group recognizes in profit or loss the difference between the consideration received and the carrying amount of the investment.

(c) Transactions with NCI

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

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

2.4 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's Executive Committee, its chief operating decision-maker. The Executive Committee is responsible for allocating resources and assessing performance of the operating segments.

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

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

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

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

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

2.5 Financial Assets

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

(a) Classification and Measurement of Financial Assets

Financial assets other than those designated and effective as hedging instruments are classified into the following categories: financial assets at FVTPL, loans and receivables, held-to-maturity investments and available-for-sale (AFS) financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired.

Regular purchases and sales of financial assets are recognized on their trade date. All financial assets that are not classified as at FVTPL are initially recognized at fair value plus any directly attributable transaction costs. Financial assets carried at FVTPL are initially recorded at fair value and the related transaction costs are recognized in profit or loss. A more detailed description of the categories of financial assets currently relevant to the Group follows:

(i) Financial Assets at FVTPL

This category includes financial assets that are either classified as held for trading or that meets certain conditions and are designated by the entity to be carried at fair value through profit or loss upon initial recognition. All derivatives fall into this category, except for those designated and effective as hedging instruments. Assets in this category are classified as current if they are either held for trading or are expected to be realized within 12 months from the end of each reporting period.

Financial assets at FVTPL are measured at fair value, and changes therein are recognized in profit or loss. Financial assets (except derivatives and financial instruments originally designated as financial assets at fair value through profit or loss) may be reclassified out of FVTPL category if they are no longer held for the purpose of being sold or repurchased in the near term.

(ii) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except for those with maturities greater than 12 months after the end of each reporting period, which are classified as non-current assets.

The Group's financial assets categorized as loans and receivables are presented as Cash and Cash Equivalents, Trade and Other Receivables (excluding Advances to suppliers), Advances to Related Parties and Refundable deposits, Restricted cash and Cash bond, presented as part of Other Current Assets and Other Non-current Assets accounts, in the consolidated statement of financial position. Cash and cash equivalents are defined as cash on hand, demand deposits and short-term, highly liquid investments with original maturities of three months or less, readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment loss, if any.

(iii) AFS Financial Assets

This category includes non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. They are included in non-current assets presented as Available-for-sale Financial Assets account in the consolidated statement of financial position unless management intends to dispose of the investment within 12 months from the reporting period. The Group's AFS financial assets include proprietary membership club shares, equity securities and corporate bonds.

All financial assets within this category are subsequently measured at fair value, except for equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured which are measured at cost, less impairment loss, if any. Gains and losses are recognized in other comprehensive income, net of any income tax effects, and are reported as part of the Revaluation Reserves account in equity, except for interest and dividend income, impairment losses and foreign exchange differences on monetary assets, which are recognized in profit or loss.

When the financial asset is disposed of or is determined to be impaired, that is, when there is a significant or prolonged decline in the fair value of the security below its cost, the cumulative fair value gains or losses recognized in other comprehensive income is reclassified from equity to profit or loss and is presented as reclassification adjustment within other comprehensive income even though the financial asset has not been derecognized.

(b) Impairment of Financial Assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. The Group recognizes impairment loss based on the category of financial assets as follows:

(i) Carried at Amortized Cost – Loans and Receivables

Impairment loss is provided when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of the agreement. If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the impairment loss is determined as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate or current effective interest rate determined under the contract if the loan has a variable interest rate.

The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognized in profit or loss.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed. The amount of the reversal is recognized in profit or loss.

(ii) Carried at Cost – AFS Financial Assets

If there is objective evidence of impairment for any of the unquoted equity instruments that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and required to be settled by delivery of such an unquoted equity instrument, impairment loss is recognized. The amount of impairment loss is the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

(iii) Carried at Fair Value – AFS Financial Assets

When a decline in the fair value of an AFS financial asset has been recognized in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss – measured as the difference between the acquisition cost (net of any principal repayment and amortization) and current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is reclassified from Revaluation Reserves to profit or loss as a reclassification adjustment even though the financial asset has not been derecognized.

Impairment losses recognized in profit or loss on equity instruments are not reversed through profit or loss. Reversal of impairment losses are recognized in other comprehensive income, except for financial assets that are debt securities which are recognized in profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognized.

(c) Items of Income and Expense Related to Financial Assets

Except for interest income earned by SGI, SMFI, BRL, Starworld and Interstar, which is presented as Interest under the Revenues section of the consolidated statement of income, all income and expenses, including impairment losses, relating to financial assets that are recognized in profit or loss are presented as part of Finance Income or Finance Costs account in the consolidated statement of income, respectively.

Non-compounding interest and other cash flows resulting from holding financial assets are recognized in profit or loss when earned, regardless of how the related carrying amount of financial assets is measured.

(d) Derecognition of Financial Assets

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

2.6 Merchandise Inventories and Supplies

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

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

2.7 Real Estate Inventories

Real estate inventories consist of the following:

(a) Land and Land Development Costs

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

(b) Property Development Costs

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

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

2.8 Other Assets

Other current assets pertain to other resources controlled by the Group as a result of past events. They are recognized in the consolidated financial statements when it is probable that the future economic benefits will flow to the Group and the asset has a cost or value that can be measured reliably.

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

2.9 Property and Equipment

Property and equipment, except land, are carried at acquisition cost or construction cost less subsequent depreciation, amortization and any impairment losses. Land held for use in production or administration is stated at cost less any impairment losses.

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

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

Construction in progress represents properties under construction and is stated at cost. This includes cost of construction, applicable borrowing costs (see Note 2.20) and other direct costs. The account is not depreciated until such time that the assets are completed and available for use.

Leasehold improvements are amortized over the estimated useful lives of the assets from 2 to 15 years or the terms of the relevant leases, whichever is shorter.

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.18).

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

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

2.10 Investment Property

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

Investment property is accounted for under the fair value model. It is revalued annually and is included in the consolidated statement of financial position at its fair value. Fair value is supported by market evidence and is determined by independent appraisers with sufficient experience with respect to both the location and the nature of the investment property (see Note 30.4).

Investment property, which consists mainly of land and improvements and buildings and improvements under operating lease agreements, is initially measured at acquisition cost, including transaction costs.

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

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

For tax purposes, investment property is carried at cost less accumulated depreciation computed on a straight-line basis over the estimated net useful lives of the assets ranging from 11 to 25 years.

2.11 Financial Liabilities

Financial liabilities, which include interest-bearing loans, trade and other payables [excluding output value-added tax (VAT) and other tax-related liabilities, advances from customers and reserve for warranty costs], advances from related parties and refundable deposits, are recognized when the Group becomes a party to the contractual terms of the instrument. All interest-related charges are recognized as an expense in profit or loss under the caption Finance Costs in the consolidated statement of income.

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

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

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

Financial liabilities are classified as current liabilities if payment is due to be settled within one year or less after the reporting period (or in the normal operating cycle of the business, if longer), or the Group does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of reporting period. Otherwise, these are presented as non-current liabilities.

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

2.12 Offsetting Financial Instruments

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

2.13 Business Combinations

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

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

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed (see Note 2.18).

Negative goodwill, which is the excess of the Group's interest in the net fair value of the net identifiable assets acquired over acquisition cost, is charged directly to profit or loss.

For the purpose of impairment testing, goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The cash-generating units or groups of cash-generating units are identified according to operating segment.

Gains and losses on the disposal of an interest in a subsidiary include the carrying amount of goodwill relating to it.

If the business combination is achieved in stages, the acquirer is required to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in profit or loss or other comprehensive income, as appropriate.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

2.14 Provisions and Contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive obligation that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pretax rate that reflects market assessments and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the consolidated financial statements. Similarly, possible inflows of economic benefits to the Group that do not yet meet the recognition criteria of an asset are considered contingent assets; hence, are not recognized in the consolidated financial statements. On the other hand, any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

2.15 Revenue and Expense Recognition

Revenue comprises revenue from the sale of goods and the rendering of services measured by reference to the fair value of consideration received or receivable by the Group for goods sold and services rendered, excluding VAT and trade discounts.

Revenue is recognized to the extent that the revenue can be reliably measured; it is probable that future economic benefits will flow to the Group; and, the costs incurred or to be incurred can be measured reliably. In addition, the following specific recognition criteria must also be met before revenue is recognized:

(a) *Rendering of services (other than commission income)* – Revenue is recognized when the performance of contractually agreed services have been substantially rendered.

(b) *Sale of goods (other than sale of real estate)* – Revenue is recognized when the risks and rewards of ownership of the goods have passed to the buyer, i.e., generally when the customer has acknowledged delivery of goods.

(c) *Rentals* – Revenue is recognized on a straight-line basis over the duration of the term of the lease (see Note 2.16).

(d) *Warranty and network support fee (shown as part of Rendering of Services)* – Revenue from warranty is recognized upon actual rendering of in-warranty and out-of-warranty services to the customers. Revenue from network support is accrued monthly based on a fixed amount specified in the service contract as agreed with the customer.

(e) *Sale of real estate* – Revenues from sale of real estate is accounted for using the full accrual method. Under this method, gross profit on sale is fully recognized when: (a) the collectibility of the sales price is reasonably assured; (b) the earnings process is virtually complete; and, (c) the seller does not have a substantial continuing involvement with the subject properties. The collectibility of the sales price is considered reasonably assured when: (a) the related loan documents have been delivered to the banks; or (b) the full down payment comprising a substantial portion (at least 25%) of the contract price is received and the capacity to pay and credit worthiness of buyers have been reasonably established for sales under the deferred cash payment arrangement.

Subsequent cancellations of prior years' real estate sales are deducted from revenues and cost of real estate sales in the year in which such cancellations are made.

If the transaction does not yet qualify as a sale, the deposit method is applied until all conditions for recording the sale are met. Pending the recognition of sale, payments received from buyers are presented under the Customers' Deposits account in the liabilities section of the consolidated statement of financial position.

Cost of real estate sales is recognized consistent with the revenue recognition method applied. Cost of real estate property sold before completion of the development is determined on the basis of the acquisition cost of the land plus its full development costs, which include estimated costs for future development, as determined by technical staff. The estimated future expenditures for the development of the real estate property for sale are shown under the Estimated Liability for Land and Land Development Costs account in the consolidated statement of financial position.

(f) *Interest income on loans receivables* – Revenue is recognized as the interest accrues using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(g) *Commission income (shown as part of rendering of services)* – Revenue is recognized on an accrual basis computed based on a certain percentage of sales.

(h) *Increase in cash surrender value of life insurance* – Revenue is recognized when the increase in cash surrender value occurs and becomes determinable.

(i) *Service charges and penalties* – Revenue is generally recognized on an accrual basis when the service has been provided and when there is reasonable degree of certainty as to their collectibility.

(j) *Interest income on cash and cash equivalents* – Revenue is recognized as the interest accrues taking into account the effective yield on the asset.

Cost and expenses are recognized in the consolidated statement of income upon receipt of the goods or utilization of services or at the date they are incurred. Expenditure for warranties is recognized and charged against the associated provision when the related revenue is recognized. All finance costs are reported in the consolidated statement of income on an accrual basis, except capitalized borrowing costs, which are included as part of the cost of the related qualifying asset (see Note 2.20).

2.16 Leases

The Group accounts for its leases as follows:

(a) *Group as Lessee*

Leases which do not transfer to the Group substantially all the risks and rewards of ownership of the asset are classified as operating leases. Operating lease payments (net of any incentive received from the lessor) are recognized as expense in the consolidated statement of income on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

(b) Group as Lessor

Leases which do not transfer to the lessee substantially all the risks and rewards of ownership of the asset are classified as operating leases. Lease income from operating leases is recognized in the consolidated statement of income on a straight-line basis over the lease term (see Note 2.15).

The Group determines whether an arrangement is, or contains a lease based on the substance of the arrangement. It makes an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

2.17 Foreign Currency Transactions and Translation

(a) Transactions and Balances

The accounting records of the Group, except BRL and Fil-Dragon, are maintained in Philippine pesos. Foreign currency transactions during the period are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates. The accounting records of BRL and Fil-Dragon are maintained in United States (U.S.) dollar and Chinese yuan renminbi (RMB), respectively.

Foreign currency exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of income as part of Finance Income or Finance Costs.

(b) Translation of Financial Statements of Foreign Subsidiaries

The operating results and financial position of BRL and Fil-Dragon are translated to Philippine pesos, the Parent Company's functional and presentation currency, as presented below and in the succeeding page.

(i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;

(ii) Income and expenses for each statement of income account are translated at the monthly average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rates prevailing at the dates of the transactions); and,

(iii) All resulting exchange differences are recognized as a separate component of other comprehensive income under currency exchange differences on translating financial statements of foreign operations, which is included under items that will be reclassified subsequently to profit or loss.

On consolidation, exchange differences arising from the translation of the net investments in BRL and Fil-Dragon are recognized in other comprehensive income and taken to equity under Revaluation Reserves. When a foreign operation is partially disposed of or sold, such exchange differences are reclassified in the consolidated statement of income as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

The translation of the financial statements into Philippine pesos should not be construed as a representation that the U.S. dollar and Chinese yuan RMB amounts could be converted into Philippine pesos amounts at the translation rates or at any other rates of exchange.

2.18 Impairment of Non-financial Assets

The Group's investment in an associate, property and equipment, investment property 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.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, assets are tested for impairment either individually or at the cash-generating unit level.

Impairment loss is recognized in profit or loss for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amounts which is the higher of its fair value less costs to sell and its value in use. In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. Except for impairment losses on goodwill, an impairment loss is reversed if the asset's or cash generating unit's recoverable amount exceeds its carrying amount.

2.19 Employee Benefits

The Group provides post-employment benefits to employees through a defined benefit plan, as well as defined contribution plans, and other employee benefits which are recognized as follows:

(a) *Post-employment Defined Benefit Plan*

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Group, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies. The Group's defined benefit post-employment plan covers all regular full-time employees. The pension plan is tax-qualified, non-contributory and administered by a trustee.

The liability recognized in the consolidated statement of financial position for post-employment defined benefit plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by an independent actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows for expected benefit payments using a discount rate derived from the interest rates of a zero coupon government bond as published by the Philippine Dealing and Exchange Corporation, that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability.

Remeasurements, comprising of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions and the return on plan assets (excluding amount included in net interest) are reflected immediately in the consolidated statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they arise. Net interest is calculated by applying the discount rate at the beginning of the period, taking account of any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments. Net interest is reported as part of Other Gains – Net under the Other Income (Charges) – Net account in the consolidated statement of income.

Past-service costs are recognized immediately in profit or loss in the period of a plan amendment and curtailment.

(b) Post-employment Defined Contribution Plans

A defined contribution plan is a post-employment plan under which the Group pays fixed contributions into an independent entity. The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities and assets may be recognized if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short term nature.

(c) Termination Benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of when it can no longer withdraw the offer of such benefits and when it recognizes costs for a restructuring that is within the scope of PAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(d) Profit-sharing and Bonus Plans

The Group recognizes a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Group's shareholders after certain adjustments. The Group recognizes a provision where it is contractually obliged to pay the benefits, or where there is a past practice that has created a constructive obligation.

(e) Compensated Absences

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of the reporting period. They are included in Trade and Other Payables account in the consolidated statement of financial position at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

2.20 Borrowing Costs

Borrowing costs are recognized as expenses in the period in which they are incurred, except to the extent that they are capitalized. Borrowing costs that are attributable to the acquisition, construction or production of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of cost of such asset. The capitalization of borrowing costs commences when expenditures for the asset and borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when substantially all such activities are complete.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

For income tax purposes, interest and other borrowing costs are charged to expense when incurred.

2.21 Income Taxes

Tax expense recognized in the consolidated statement of income comprises the sum of current tax and deferred tax not recognized in other comprehensive income or directly in equity, if any.

Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the end of the reporting period. They are calculated using the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in the consolidated statement of income.

Deferred tax is accounted for using the liability method, on temporary differences at the end of each reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carryforward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled provided such tax rates have been enacted or substantively enacted at the end of the reporting period.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. For purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted, that is, when the investment property is depreciable and is held within the business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Deferred tax assets and deferred tax liabilities are offset if the Group has a legally enforceable right to setoff current tax assets against current tax liabilities and the deferred taxes relate to the same entity and the same taxation authority.

2.22 Related Party Transactions and Relationships

Related party transactions are transfers of resources, services or obligations between the Group and its related parties, regardless whether a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Group; (b) associates; (c) individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group and close members of the family of any such individual; and, (d) the Group's funded retirement plan.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

2.23 Equity

Capital stock represents the nominal value of shares that have been issued.

Additional paid-in capital (APIC) includes any premiums received on the initial issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from APIC, net of any related tax benefits.

Treasury shares are stated at the cost of reacquiring such shares and are deducted from equity attributable to the Group's equity holders until the shares are cancelled, reissued or disposed of.

Revaluation reserves comprise the remeasurements of post-employment defined benefit plan, cumulative translation adjustments on financial statements of foreign subsidiaries and unrealized fair value gains (losses) arising from the revaluation of certain AFS financial assets.

Retained earnings represent all current and prior period results of operations as reported in the consolidated statement of income, reduced by the amounts of dividends declared, if any.

NCI represent the portion of net assets and profit or loss not attributable to the Parent Company's stockholders which are presented separately in the Group's consolidated statement of income and consolidated statement of comprehensive income and within equity in the Group's consolidated statement of financial position and consolidated statement of changes in equity.

2.24 Earnings Per Share

Basic earnings (loss) per share 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 earnings (loss) per share 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 (loss) per share is equal to the basic earnings (loss) per share.

2.25 Events After the End of the Reporting Period

Any post-year-end event that provides additional information about the Group's consolidated financial position at the end of the reporting period (adjusting event) is reflected in the consolidated financial statements. Post-year-end events that are not adjusting events, if any, are disclosed when material to the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements in accordance with PFRS requires management to make judgments and estimates that affect amounts reported in the consolidated financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately differ from these estimates.

3.1 Critical Management Judgments in Applying Accounting Policies

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimation, which have the most significant effect on the amounts recognized in the consolidated financial statements:

(a) Revenue Recognition Criteria on Real Estate Sales

The Group recognizes revenues from real estate sales under the full accrual method. Under this method, critical judgment is made by management in determining whether the collectibility of the sales price is reasonably assured. Management considers the collectibility of real estate sales as reasonably assured when: (a) the related loan documents have been delivered to the banks; or (b) the full down payment comprising a substantial portion (at least 25%) of the contract price is received and the capacity to pay and credit worthiness of buyers have been reasonably established for sales under the deferred cash payment arrangement.

(b) Impairment of AFS Financial Assets

The determination when an investment is other-than-temporarily impaired requires significant judgment. In making this judgment, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

Based on the recent evaluation of information and circumstances affecting the Group's AFS financial assets, management concluded that certain assets are permanently impaired as of December 31, 2015 and 2014, as disclosed in Note 8. Future changes in those information and circumstances might significantly affect the carrying amount of the assets.

(c) 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.

(d) Distinction between Investment Property, Owner-occupied Properties and Real Estate Inventories

The Group determines whether a property qualifies as investment property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to the properties but also to other assets used in the production or supply process. On the other hand, real estate inventories are properties intended to be sold in the normal course of business.

(e) Distinction between Operating and Finance Leases

The Group has entered into various lease agreements as either a lessor or lessee. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities. Based on management's judgment, all of the Group's lease agreements were determined to be operating leases.

(f) Recognition of Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition of provision and contingencies are discussed in Note 2.14 and the disclosures on relevant provisions and contingencies are presented in Notes 26 and 27.

3.2 Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period:

(a) Impairment of Trade and Other Receivables and Advances to Related Parties

Adequate amount of allowance for impairment is provided for specific and groups of accounts, where objective evidence of impairment exists. The Group evaluates the amount of allowance for impairment based on available facts and circumstances affecting the collectibility of the accounts, including, but not limited to, the length of the Group's relationship with the counterparties, their current credit status, average age of accounts, collection experience and historical loss experience. The methodology and assumptions used in estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimate and actual loss experience.

The carrying value of trade and other receivables and the analysis of allowance for impairment on such financial assets are shown in Note 7. Meanwhile, there were no impairment losses recognized on advances to related parties for the years ended December 31, 2015, 2014 and 2013 based on management's assessment (see Note 25).

(b) Fair Value Measurement of Financial Instruments

Fair value measurement is generally determined based on quoted prices in active markets. Where active market quotes are not available, management applies valuation techniques to determine the fair value of financial instruments. 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 reporting date.

The carrying values of the Group's financial assets at FVTPL and AFS financial assets and the amounts of fair value changes recognized on those assets are disclosed in Notes 6 and 8, respectively.

(c) 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 9). 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.

(d) Determination of Net Realizable Value of Real Estate Inventories

The Group adjusts the cost of its real estate inventories to net realizable value based on its assessment of the recoverability of real estate inventories. Net realizable value for completed real estate inventories is assessed with reference to market conditions and prices existing at the reporting date and is determined by the Group in the light of recent market transactions. Net realizable value in respect of real estate inventories under construction is assessed with reference to market prices at the reporting date for similar completed property, 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 10.

(e) Estimation of Useful Lives of Property and Equipment

The Group estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment 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 property and equipment are analyzed in Note 11. Based on management's assessment as at December 31, 2015 and 2014, there is no change in the estimated useful lives of property and equipment during those years. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

(f) Fair Value Measurement of Investment Property

The Group's investment property, which consists of parcels of land and improvements and buildings and improvements, are carried at fair value at the end of the reporting period. In determining the fair value of these assets, the Group engages the services of professional and independent appraisers applying the relevant valuation methodologies as discussed in Note 30.4.

For investment properties with appraisals conducted prior to the end of the current reporting period, management determines whether there are significant circumstances during the intervening period that may require adjustments or changes in the disclosure of fair value of those properties.

A significant change in these elements may affect prices and the value of the assets. The amounts of fair value gains recognized on investment property are disclosed in Notes 12 and 19.

(g) Determination of Realizable Amount of Deferred Tax Assets

The Group reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

The carrying value of recognized deferred tax assets, which management assessed may be fully utilized in the coming years, as at December 31, 2015 and 2014 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.

(h) Impairment of Non-financial Assets

In assessing impairment, management estimates the recoverable amount of each asset or a cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see Note 2.18). 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, there were no impairment losses recognized on the Group's non-financial assets in 2015, 2014 and 2013.

(i) Estimating Liability for Land and Land Development Costs

The Group's liability for land and development cost for future development is determined by technical staff based on updated budgets and available information and circumstances, as well as its previous experience. The amount of estimated liability for land and development costs as at December 31, 2015 and 2014 is disclosed in Note 10.

(j) Estimation of Reserve for Warranty Costs

The Group offers warranty, for a period ranging from one to two years, for each consumer electronic product sold. Management estimates the related provision for future warranty costs based on a certain percentage of sales, as determined based on historical warranty claim information as well as recent trends that might suggest that past cost information may differ from expectations. Warranty costs also include the actual cost of materials used in repairing the electronic products.

The amounts of provision for warranty claims recognized and the outstanding balance of Reserve for warranty costs, which is presented as part of Trade and Other Payables account in the consolidated statement 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 present value of the retirement benefit asset and retirement benefit obligation and the analysis of the movements in the present value of the retirement benefit asset and retirement benefit obligation, as well as the significant assumptions used in estimating such asset and obligation are presented in Note 21.2.

4. SEGMENT INFORMATION

4.1 Business Segments

The Group's operating businesses are organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The Group's different business segments are as follows:

(a) Digital mobile devices services is involved in the sale of mobile phones and devices;

(b) Property and building services is involved in the leasing, development and sale of industrial and other real estate properties, sale of prefabricated modular houses and hotel operations;

(c) Technical support and solutions is presently engaged in the business of sale of professional audio and video equipment, after sales services, warehousing and distribution; and,

(d) Investment and others include investment holding companies, and those included in the business of financing and credit extension.

Segment accounting policies are the same as the policies described in Note 2.4.

4.2 Segment Assets and Liabilities

Segment assets include all operating assets used by each business segment and consist principally of operating cash, receivables, inventories and property and equipment, net of allowances and provisions. Similar to segment assets, segment liabilities include all operating liabilities used by each segment and consist principally of accounts, wages, taxes currently payable and accrued liabilities. Segment assets and liabilities do not include deferred taxes.

4.3 Intersegment Transactions

Segment revenues, expenses and performance include sales and purchases between business segments, such sales and purchases are eliminated in the consolidation.

4.4 Analysis of Segment Information

The following tables present certain asset and liability information regarding business segments as at March 31, 2016 and December 31, 2015 and the related revenue and profit information for the three months period ended March 31, 2016 and March 31, 2015 (amounts in thousands).

	Digital Mobile Devices	Property & Building Services	Technical Support & Solutions	Investment and Others	Elimination	Total
2016						
SEGMENT RESULTS						
Total revenues	**P 1,101,128**	**P 71,833**	**P 301,839**	**P 29,692**	**(P 19,669)**	**P 1,484,823**
Net profit (loss)	**(P 9,095)**	**(P 35,008)**	**P 42,723**	**(P 5,317)**	**P**	**(P 6,697)**
SEGMENT ASSETS AND LIABILITIES						
Total assets	**P 2,137,334**	**P 7,268,840**	**P 933,101**	**P 8,122,954**	**(P 5,974,465)**	**P 12,487,764**
Total liabilities	**P 1,824,105**	**P 3,167,160**	**P 297,156**	**P 357,571**	**(P 3,207,713)**	**P 2,438,279**

	Digital Mobile Devices	Property & Building Services	Technical Support & Solutions	Investment and Others	Elimination	Total
2015						
SEGMENT RESULTS						
Total revenues	P 457,042	P 55,994	P 121,141	P 31,087	P 15,034	P 650,230
Net profit (loss)	(P 22,226)	(P 58,242)	P 7,459	P 4,559	-	(P 68,450)
SEGMENT ASSETS AND LIABILITIES						
Total assets	P 2,626,032	P 7,207,455	P 930,885	P 8,139,049	(P 6,538,799)	P 12,361,622
Total liabilities	P 2,296,969	P 3,145,517	P 338,589	P 359,565	(P 3,847,866)	P 2,292,774

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components:

	2016	2015
Cash on hand and in banks	**P 490,043,812**	P 741,716,376
Short-term placements	**2,296,935,042**	1,835,017,337
	P 2,786,978,854	P 2,576,733,713

Cash in banks generally earn interest based on daily bank deposit rates. Short-term placements are made for varying periods of between 1 to 90 days and earn annual interests ranging from 0.3% to 2.2% and 0.3% to 2.5% in 2016 and 2015 (see Note 20.2).

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

This account represents investments in unit investments trust funds (UITF) which have been designated by the management as financial assets at FVTPL upon initial recognition.

The reconciliation of the carrying amounts of these financial assets at the end of the following periods follows:

	Note	**2016**	2015
Balance at end of the period		**P 161,341,604**	P 123,008,280

Financial assets at FVTPL are stated at their fair values which have been determined directly by reference to published prices. As at December 31, 2015, the fair value of these financial assets were derived using the net asset value per unit (computed by dividing the net asset value of the fund by the number of outstanding units at the end of the reporting period), as published by banks and the Investment Company Association of the Philippines.

The Group recognized gain on redemption of financial assets at FVTPL amounting to P129 thousand and P363 thousand in 2016 and 2015, respectively, and is presented as part of Finance Income under the Other Income (Charges) – Net account in the consolidated statements of income (see Note 20.2).

7. TRADE AND OTHER RECEIVABLES

This account is composed of the following:

	Notes	**2016**	2015
Current:			
Trade receivables	25.5, 26.1	**P 983,094,023**	P 1,064,525,691
Advances to suppliers	25.5	**541,269,686**	209,761,196
Loans receivables	25.3	**47,569,534**	45,980,152
Interest receivable		**3,970,645**	596,290
Other receivables		**79,152,903**	44,949,005
		1,655,056,791	1,365,812,334
Allowance for impairment		**(88,574,704)**	(87,260,575)
		1,566,482,087	1,278,551,759
Non-current:			
Trade receivables		**7,884,096**	9,061,513
Loans receivables	25.3	**-**	634,508
Cash surrender value of investment in life insurance		**583,952,179**	591,941,130
		591,836,274	601,637,151
		P 2,158,318,361	P 1,880,188,910

Trade receivables include amounts due from the Group's real estate buyers arising from the sale of industrial lots and condominium units. The title to the real estate properties remain with the Group until such time that the Group fully collects its receivables from the real estate buyers. Trade receivables from sale of condominium units are measured at amortized cost and bear effective interests ranging from 9.8% to 18.0% depending on the terms of payment (see Note 20.2).

Advances to suppliers mainly include advance payments made by My Solid for future purchases of mobile phone inventories (see Note 25.5). These also include advances made to various contractors for the construction of ZTC's Tri Towers condominium building (see Note 10) and to various suppliers for CBHI's acquisition of supplies.

Interest income recognized on the Group's loans receivables amounted to P1.9 million and P2.9 million in March 31, 2016 and December 31, 2015, respectively, and are presented as part of Interest under the Revenues section of the consolidated statements of income. The effective interest rates on loans receivables range from 7.5% to 30.0% in March 31, 2016 and December 31, 2015.

Cash surrender value of investment in life insurance pertains to insurance policies purchased by BRL for certain directors of the Parent Company. The investment in life insurance is 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 income (see Note 19).

The cash surrender value of the investment in life insurance is used as collateral for interest-bearing loans obtained by BRL (see Note 14).

Other receivables consist primarily of unsecured, noninterest-bearing cash advances made to the ZTC's Unit Owners' Association for expenses incurred by the unit owners.

All of the Group's trade and other receivables have been reviewed for indications of impairment. Certain trade and other receivables, which are mostly due from small business customers, were found to be impaired; hence, adequate amount of allowance for impairment has been recognized.

Certain loans receivables are secured by real estate properties and shares of stock of the borrowing companies which are owned by a related party (see Note 25.4).

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

This account comprises the following AFS financial assets:

	2016	2015
Non-current:		
Club shares	**20,107,258**	15,852,400
Equity securities	**8,580,000**	8,580,000
Others	**636,527**	634,127
	29,323,785	25,066,527
Allowance for impairment	**(15,330,000)**	(11,230,000)
	13,993,785	13,836,527
	P 13,993,785	P 13,836,527

Investment in equity securities pertains to the Parent Company's 33% ownership interest in the common stock of Sony Philippines, Inc. (SPI). The Joint Venture Agreement (JVA) executed in 1997 with Sony Corporation of Japan covering the Parent Company's investment in SPI expired on May 8, 2005. On April 11, 2005, the Parent Company received a formal notice of the expiry of the JVA. The Parent Company and Sony Corporation have both agreed to pursue negotiations for an equitable settlement of all matters relating to the JVA and its expiration.

As a result of the above events, the Parent Company determined that it no longer has significant influence over the investee company. Consequently, it reclassified its remaining investment in shares of stock of SPI with total cost of P8.6 million to AFS financial assets in 2005.

The Group's management has determined that there is an objective evidence that the decline in the fair values of SPI shares and of some of its club shares is permanent. Such evaluation was based on the significant downturn in the business operations of SPI and the prolonged decline in the market value of the Group's club shares. Accordingly, the Group recognized impairment losses on the SPI shares and such club shares in prior years. As at December 31, 2015, the Parent Company's investment in SPI is fully provided with allowance for impairment losses. There were no additional impairment losses recognized on other available-for-sale financial assets in 2015.

The fair values of the Group's investments in club shares, which represent proprietary membership club shares, as at December 31, 2015 have been determined directly by reference to published prices in active markets (see Note 30.2).

9. MERCHANDISE INVENTORIES AND SUPPLIES

The details of this account are shown below.

	Notes	**2016**	2015
Merchandise inventories	17.1	**P 599,126,618**	P 896,356,985
Service parts, supplies and others	25.1	**30,391,494**	32,390,880
		629,518,112	928,747,865
Allowance for inventory obsolescence		**(55,433,474)**	(62,592,533)
		P 574,084,638	P 866,155,332

The Group has no outstanding purchase commitment for the acquisition of merchandise inventories and supplies as at March 31, 2016 and December 31, 2015.

10. REAL ESTATE INVENTORIES

This account is composed of:

	2016	2015
Land and land development costs:		
Land	**P 4,265,299**	P 4,265,299
Land development costs	**425,030,910**	421,365,404
	429,296,209	425,630,703
Allowance for impairment	**(2,022,800)**	(2,022,800)
	427,273,409	423,607,903
Property development costs:		
Construction in progress and development costs	**1,207,811,552**	1,223,622,163
	P 1,635,084,961	P 1,647,230,066

Land and land development costs pertain to cost of land and related improvements, held by Starworld and LIIP, which are held for sale. Property development costs pertain to the cost of land used as a building site and the accumulated construction costs of the condominium building project being developed by ZTC and Fil-Dragon, which are also for sale.

Borrowing costs incurred from loans availed of by Fil-Dragon were capitalized as part of Property development costs. Borrowing costs incurred in 2013 relating to these loans amounted to ¥6.8 million (P46.9 million) and are capitalized as part of Real Estate Inventories in the 2013 consolidated statement of financial position (see Notes 14 and 25.7). No borrowing cost was capitalized in 2015 as the development has already been completed.

The allowance for impairment recognized in prior years pertains to the estimated cost of parcels of land and land development costs which may not be fully realized as a result of the Group's long-outstanding claims against the seller for the transfer of title to the name of LIIP. There were no additional impairment losses recognized in 2015, 2014 and 2013.

Under its registration with the Board of Investments, Starworld shall develop 118 hectares of land in its development project located in Calamba Premiere International Park (CPIP) in Bo. Prinza, Calamba City, Laguna. As at March 31, 2016 and December 31, 2015, lot areas totaling 83 hectares (65 hectares for Phase 1 and 18 hectares for Phase 2) were acquired and fully developed.

The Group, through ZTC, has initiated the planning and construction of the Tri Towers condominium building (see Notes 27.4 and 27.5). The construction was started by SMC in 2005. The accumulated construction costs (including cost of the land) were eventually transferred to ZTC. The construction of Tower 1 and Tower 2 was completed in 2008 and 2012, respectively, while the construction of Tower 3 has not yet started as of December 31, 2015.

In addition, the balances of Property development costs as of March 31, 2016 and December 31, 2015 include costs incurred in the construction of the Group's Golden Hill Project through Fil-Dragon (see Note 27.6). The Golden Hill Project involves the development of multi-storey residential and commercial condominium units within the ASEAN Commercial Park in Nanning City, Guangxi Province, PRC. In 2010, Fil-Dragon has obtained sales permit for selling the property from the local government of the PRC. Customer deposits received as at March 31, 2016 and December 31, 2015 amounted to P551.8 million (¥77.4 million) and P538.7 million (¥74.6 million), respectively, and are shown as part of Customers' Deposits in the consolidated statements of financial position.

There were no movements in the Estimated Liability for Land and Land Development Costs account in 2015 which was established for the fulfilment of Starworld's projects in the development and marketing of CPIP (see Note 27.3).

11. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation, amortization and impairment losses of property and equipment at end of March 31, 2016 and December 31, 2015 are shown below.

	Land	Buildings and Improvements	Machinery and Equipment	Furniture, Fixtures and Office Equipment	Transportation Equipment	Test, Communication and Other Equipment	Computer System	Leasehold Improvements	Tools and Equipment	Construction in Progress	Total
March 31, 2016											
Cost	P 1,316,916,369	P 326,755,141	P 118,610,058	P 159,938,901	P 106,596,241	P 7,056,690	P 42,799,817	P 78,711,324	P 43,317,078	P 89,023,364	P 2,287,724,983
Accumulated depreciation and amortization	-	(27,539,517)	(49,901,987)	(128,743,028)	(75,225,024)	(6,595,006)	(32,838,254)	(59,773,757)	(24,902,755)	-	(405,519,328)
Accumulated impairment losses	-	(35,000,000)	-	-	-	-	-	-	-	-	(35,000,000)
Net carrying amount	**P 1,316,916,369**	**P 264,215,624**	**P 68,708,071**	**P 29,195,873**	**P 31,371,217**	**P 461,684**	**P 9,961,563**	**P 18,937,567**	**P 18,414,323**	**P 89,023,364**	**P 1,847,205,655**
December 31, 2015											
Cost	P 1,277,854,682	P 352,874,436	P 129,719,241	P 193,871,092	P 113,276,561	P 9,747,050	P 70,705,200	P 88,589,364	P 52,774,064	P 76,494,236	P 2,365,905,926
Accumulated depreciation and amortization	-	(52,396,919)	(53,606,685)	(148,002,053)	(78,333,799)	(9,030,818)	(68,488,935)	(73,032,427)	(32,841,677)	-	(515,733,313)
Accumulated impairment losses	-	(35,000,000)	-	-	-	-	-	-	-	-	(35,000,000)
Net carrying amount	**P 1,277,854,682**	**P 265,477,517**	**P 76,112,556**	**P 45,869,039**	**P 34,942,762**	**P 716,232**	**P 2,216,265**	**P 15,556,937**	**P 19,932,387**	**P 76,494,236**	**P 1,815,172,613**

In 2014, the Group transferred certain land and building improvements from Investment Property to Property and Equipment as the Group intends to use such properties for the expansion of the Group's hotel operations. The amount recognized as deemed cost represents the fair value of the properties at the time of transfers (see Note 12). There was no similar transaction in 2015.

Construction in progress in prior years pertains to the construction of the Green Sun Hotel of SMC. Construction was completed in 2014 and, accordingly, amounts have been reclassified to the appropriate accounts. Further, construction in progress also includes costs incurred for the acquisition of furniture and fixtures and machinery and equipment which are not yet available for use.

No additional impairment losses were recognized in 2015 based on management's assessment.

The amount of depreciation and amortization computed on property and equipment is presented as part of the following accounts:

	Notes	2016	2015
Cost of services	17.2	**P 11,072,251**	P 10,134,658
Cost of rentals	17.3	**443,183**	673,062
General and administrative expenses		**8,433,173**	7,167,553
	18	**P 19,948,607**	P 17,975,273

There were no restrictions on titles and items of property and equipment as at December 31, 2015.

Fully depreciated property and equipment still in use in the Group's operations amounted to P227.6 million as at December 31, 2015.

12. INVESTMENT PROPERTY

The Group's investment property, which is accounted for under the fair value method, consists mainly of land and improvements and buildings and improvements that are held under operating lease agreements. These properties earn rental income, presented as Rentals in the consolidated statements of income and incur direct costs such as real property taxes, repairs and maintenance and utilities which are presented as part of Cost of Rentals in the consolidated statements of income (see Note 17.3).

The fair values of the Group's investment property as at December 31, 2015 was determined based on appraisal reports dated January 22, 2016. Management obtains annual appraisal reports on its investment property from independent appraisers (see Note 30.4).

The changes in the carrying amounts of investment property as presented in the consolidated statements of financial position are summarized as follows as of March 31, 2016 and December 31, 2015:

	Land and Improvements	Buildings and Improvements	Total
2016:			
Balance at end of period	**P 1,850,330,296**	**P 795,660,751**	**P 2,645,991,047**
2015:			
Balance at beginning of year	P 3,027,198,507	P 626,681,408	P 3,653,879,915
Fair value gains (loss) on investment property – net (see Note 19)	154,647,375	(66,899,563)	87,747,812
Additions	-	279,581,068	279,581,068
Disposal	(1,331,515,586)	(36,473,675)	(1,367,989,261)
Reclassifications from (to) property and equipment	( )		( )
Balance at end of year	P 1,850,330,296	P 802,889,238	P 2,653,219,534

Certain real estate properties owned by SMC are the subject of litigations brought up by third parties against the subsidiary.

13. OTHER ASSETS

The composition of these accounts as of March 31, 2016 and December 31, 2015 are shown below.

	Notes	**2016**	2015
Current:			
Prepayments		**P 136,856,858**	P 246,852,021
Input VAT – net		**108,506,819**	130,023,037
Creditable withholding taxes		**72,438,892**	63,314,432
Refundable deposits	27.2	**16,249,879**	16,630,667
Advances to contractors		**6,605,388**	6,010,562
Restricted cash		**4,483,606**	4,545,963
Others		**1,720,280**	4,079,789
		346,861,723	471,456,471
Non-current:			
Deferred input VAT		**6,885,444**	9,357,332
Refundable deposits	27.2	**8,017,429**	7,741,095
Land under litigation	12	**4,935,606**	4,935,606
Investment in an associate		**-**	3,194,282
Investment in shares		**1,303,591**	1,460,849
Cash bond		**568,234**	568,234
Deposits to suppliers		**-**	
Others		**3,749,637**	2,231,331
		25,459,941	29,488,729
		P 372,321,664	P 500,945,200

Prepayments include prepaid insurance, rentals and other business taxes.

Restricted cash pertains to bank deposits pledged by Fil-Dragon as security in favor of banks and financial institutions in the PRC, which provided mortgage loan to purchasers of properties. Such charges would be released when the certificates for housing ownership are granted to the property purchasers. This deposit earns interest based on daily bank deposit rates (see Note 20.2).

The investment in an associate account represents the carrying amount of investment in CHMI. CHMI was formally established and registered with the SEC on February 5, 2015. The original investment of P6.5 million constitutes 50% of CHMI's outstanding capital stock.

The Group's share in the net loss of CHMI amounted to P3.1 million and presented as Share in Net Loss of an Associate under Other Income (Charges) – Net in the 2016 consolidated statement of income.

14. INTEREST-BEARING LOANS

Short-term interest-bearing loans and borrowings as at March 31, 2016 and December 31, 2015 are broken down as follows:

	2016			2015		
	USD	RMB	Total in PHP	USD	RMB	Total in PHP
BRL	$ 2,237,426	¥ -	P 103,163,267	$ 2,219,474	¥ -	P 104,683,711
Fil-Dragon	-	21,100,611	150,367,174	-	21,100,611	152,458,471
	$ 2,237,426	¥ 21,100,611	P 253,530,441	$ 2,219,474	¥ 21,100,611	P 257,142,182

The Group's short-term interest-bearing loans as of March 31, 2016 and December 31, 2015 amounting to P253.5 million and P257.1 million, respectively, are denominated in U.S. dollar and Chinese yuan RMB, and are currently due within 12 months after the end of reporting period; hence, classified as part of the Group's current liabilities in the consolidated statements of financial position.

Information relating to significant loan transactions of the Group are as follows:

(a) *Loans of BRL*

The loans of BRL are secured by the cash surrender value of investment in life insurance (see Note 7). The loans bear interest at prevailing market rates per annum of 1.6% in 2016 and 2015. Interest expense arising from these loans amounted to P443 thousand and P856 thousand in 2016 and 2015, respectively, and is presented as part of Finance Costs in the consolidated statements of income (see Note 20.1).

(b) *Loans of Fil-Dragon*

In 2011, Fil-Dragon obtained loans denominated in Chinese yuan RMB from companies that are owned by Solid Company Limited (SCL), a shareholder owning 19% of the total shares of Fil-Dragon (see Note 25.7). The loans bear interest at prevailing market rates per annum ranging from 6.0% to 15.0% in 2015. Borrowing costs incurred in 2013 relating to these loans amounted to ¥6.8 million (P46.9 million) and are capitalized as part of Real Estate Inventories (see Notes 10 and 25.7). Borrowing cost incurred in 2016 and 2015 amounting to P5.1 million and P20.6 million, respectively, is shown as part of Interest expense on interest-bearing loans under Finance Costs account in the 2016 and 2015 consolidated statements of income (see Note 20.1).

The fair value of loans obtained approximates the carrying values since the interest rates are repriced at market rates at the end of the reporting period. As at March 31, 2016 and December 31, 2015, the Group is not subjected to any covenants relating to the above loans.

15. TRADE AND OTHER PAYABLES

This account consists of:

	Note	2016	2015
Trade payables	25.1, 25.5	**P 476,717,175**	P 413,087,787
Accrued dealers' incentives		**82,512,601**	101,401,648
Refundable deposits		**16,778,699**	18,249,826
Advances from customers		**16,922,788**	16,299,070
Due to a related party	25.5	**19,129,030**	15,588,734
Accrued expenses		**71,942,084**	15,154,393
Rentals payable		**14,074,513**	14,617,857
Deferred output VAT		**7,633,613**	8,252,624
Output VAT		**5,954,166**	3,806,792
Reserve for warranty costs		**3,243,807**	3,253,200
Retention payable		**1,799,672**	1,904,673
Other payables		**82,868,651**	25,113,796
		P 799,576,799	P 636,730,400

Accrued dealers' incentives pertain to rebates awarded to dealers once certain level of sales were achieved during a particular period. Accrued expenses include amounts charged for rentals, outside services, salaries and other operating expenses which remained unpaid as at the end of the reporting periods.

The outstanding deferred output VAT arises from the outstanding receivables on the Group's sale of services.Reserve for warranty costs pertains to amounts recognized by My Solid and SVC for expected warranty claims on products sold based on their past experience of the level of repairs and returns.

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.

16. REFUNDABLE DEPOSITS

SMC and Kita have long-term refundable deposits from various tenants amounting to P19.6 million and P19 million as at March 31, 2016 and December 31, 2015, respectively. The refundable deposits are remeasured at amortized cost using the effective interest ranging from 3.05% to 6.13% at the inception of the lease terms. The interest expense recognized is presented as part of Finance Costs in the consolidated statements of income (see Note 20.1).

The non-current refundable deposits is shown as a separate line item under Non-current Liabilities section in the consolidated statements of financial position.

17. COSTS OF SALES, REAL ESTATE SALES, SERVICES AND RENTALS

17.1 Cost of Sales

The details of this account are shown below.

	Notes	2016	2015
Merchandise inventories at beginning of year	9	**P 896,356,985**	P 656,074,999
Net purchases of merchandise inventories during the year	18, 25.5	**749,229,008**	576,526,051
Goods available for sale		**1,645,585,993**	1,232,601,050
Merchandise inventories at end of the period	9	**(599,126,618)**	(825,622,388)
Net provision (reversal of allowance) for inventory obsolescence	9, 18	**(7,159,059)**	-
	18	**P 1,039,300,316**	P 406,978,662

17.2 Cost of Services

The following are the breakdown of direct costs and expenses from rendering of services:

	Notes	2016	2015
Materials, supplies and other consumables	25.1	**P 21,171,476**	P 24,822,579
Salaries and employee benefits	21.1	**12,506,610**	12,251,430
Service fees	26.3	**17,463,517**	16,174,661
Outside services		**28,326,893**	19,300,443
Depreciation and amortization	11	**11,072,251**	10,134,658
Rentals	27.2	**42,318**	65,490
Communication, light and water		**5,331,949**	5,020,780
Transportation and travel		**735,796**	567,695
Repairs and maintenance		**1,772,191**	1,798,789
Cable services		**51,542**	77,082
Cost of integration		**111,153,767**	
Others		**9,427,820**	9,828,534
	18	**P 219,056,130**	P 100,042,141

17.3 Cost of Rentals

The details of this account are as follows (see Note 12):

	Notes	2016	2015
Taxes and licenses		**P 10,381,451**	P 11,847,809
Outside services		**1,907,795**	2,003,046
Repairs and maintenance		**1,501,937**	1,005,635
Rentals	27.2	**2,684,686**	1,888,190
Salaries and employee benefits	21.1	**126,000**	165,834
Depreciation and amortization	11	**443,183**	673,062
Others		**2,691,045**	1,944,247
	12, 18	**P 19,736,097**	P 19,527,823

Others primarily consists of supplies and transportation and travel expenses.

18. OPERATING EXPENSES BY NATURE

The details of operating expenses by nature are shown below.

	Notes	2016	2015
Net purchases of merchandise inventories	17.1, 25.5	**P 749,229,008**	P 576,526,051
Construction costs	17.4		
Cost of integration		**111,153,767**	
Changes in merchandise, finished goods and work-in-process inventories		**297,230,367**	(169,547,389)
Salaries and employee benefits	21.1	**69,093,289**	64,150,189
Advertising and promotions			
Outside services		**42,746,999**	38,670,704
Materials, supplies and other consumables	25.1	**25,909,131**	27,073,455
Depreciation and amortization	11	**19,948,607**	17,975,273
Taxes and licenses		**35,405,028**	35,260,660
Utilities and communication		**9,447,887**	9,131,623
Service fees	26.3	**17,463,517**	16,174,661
Transportation and travel		**3,981,001**	3,886,920
Land and land use rights	17.4		
Net provision (reversal) for inventory obsolescence	9, 17.1	**(7,159,059)**	
Rentals	27.2	**7,530,141**	12,081,581
Repairs and maintenance		**4,880,811**	4,323,817
Provisions for warranty claims	15		
Miscellaneous		**64,127,356**	60,567,380
		P 1,450,987,850	P 696,274,925

These expenses are classified in the consolidated statements of income as follows:

	Notes	2016	2015
Cost of sales	17.1	**P 1,039,300,316**	P 406,978,662
Cost of services	17.2	**219,056,130**	100,042,141
Cost of rentals	17.3	**19,736,097**	19,527,823
Selling and distribution costs		**81,090,645**	83,423,168
General and administrative expenses		**91,804,662**	86,303,131
		P 1,450,987,850	P 696,274,925

19. OTHER OPERATING EXPENSES - NET

The breakdown of this account is as follows:

	Notes	2016	2015
Fair value losses (gains) on investment property – net	12	**12,917,746**	12,379,050
Increase in cash surrender value of investment in life insurance	7	**(5,359,782)**	(4,887,878)
Reversal of impairment losses on on property and equipment	11	**-**	(3,087,754)
Miscellaneous		**(1,531,405)**	
		P 6,026,559	P 4,403,418

20. OTHER INCOME (CHARGES) – Net

20.1 Finance Costs

This account consists of the following:

	Notes	2016	2015
Interest expense on Interest-bearing loans	14	**P 5,614,483**	P 21,518,080
Impairment losses on trade and other receivables	7	**1,411,164**	330,342
Foreign currency exchange losses		**13,168,102**	736,063
Impairment losses on AFS financial assets	8	**-**	-
Others		**1,156,832**	129,251
		P 21,350,581	P 22,713,736

20.2 Finance Income

This account consists of the following:

	Notes	2016	2015
Interest income from cash and cash equivalents and restricted cash	5, 13	**P 5,779,109**	P 2,272,502
Foreign currency exchange gains		**324,556**	1,075,903
Gain on redemption of financial assets at FVTPL	6	**129,831**	363,055
Reversal of impairment losses on financial assets		**475,093**	
Fair value gains on financial assets at FVTPL	6	**196,372**	127,108
Interest income from financing	7	**-**	-
		P 6,904,962	P 3,838,568

Interest income earned by SGI, SMFI, BRL and Starworld from cash and cash equivalents amounting to P10.7 million in 2015 and P14.8 million in 2014 are presented as part of Interest account under the Revenues section in the consolidated statements of income, as these were generated from the entities' primary business operations.

20.3 Other Gains – Net

The breakdown of this account is as follows:

	Notes	2016	2015
Gain on sale of property and equipment	11	**P 495,536**	P
Loss on sale of investment property		**-**	194,725
Miscellaneous		**423,225**	
		P 918,761	P 194,725

21. EMPLOYEE BENEFITS

21.1 Salaries and Employee Benefits Expense

Expenses recognized for salaries and employee benefits are summarized below (see Notes 25.8 and 25.9).

	Notes	2016	2015
Short-term benefits		P 69,093,289	P 64,150,189

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 a trustee bank that is legally separated from the Group. The trustee bank managed the fund in coordination with the Group's management who acts in the best interest of the plan assets and is responsible for setting the investment policies. The post-employment plan covers all regular full-time employees.

The normal retirement age is 60 with a minimum of five years of credited service. The Group's post-employment benefit plan provides retirement benefits ranging from 100% to 115% of the final monthly salary 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 are based on the actuarial valuation reports obtained from an independent actuary in 2015 and 2014.

The components of the retirement benefit asset of SGI and certain subsidiaries at the end of the reporting periods are shown below.

	2015
Fair value of plan assets	**P 187,905,653**
Present value of obligation	**(70,623,835)**
	P 117,281,818

The amounts of the retirement benefit obligation recognized by certain subsidiaries at the end of the reporting periods are shown below.

	2015
Fair value of plan assets	**P 2,463,150**
Present value of obligation	**(22,202,604)**
	(P 19,739,454)

The movements in the present value of the retirement benefit obligation recognized in the books are as follows:

	2015
Balance at beginning of year	**P 83,870,425**
Current service costs	**12,178,907**
Interest costs	**3,935,635**
Benefits paid	**(3,431,215)***
Remeasurements – actuarial losses (gains) arising from:	
Experience adjustments	**(10,795,456)**
Changes in financial assumptions	**6,118,553**
Changes in demographic assumptions	**949,590**
Balance at end of year	**P 92,826,439**

* *This amount includes benefits paid directly by the SEC, OSSI and My Solid amounting to P526,683, P253,200 and P1,920,000, respectively.*

The movements in the fair value of plan assets of the Group are presented below.

	2015
Balance at beginning of year	**P 186,230,815**
Interest income	**8,690,494**
Return on plan assets (excluding amounts included in net interest)	**(5,626,689)**
Contributions paid into the plan	**1,789,556**
Benefits paid by the plan	**(715,373)**
Balance at end of year	**P 190,368,803**

The plan assets consist of the following as of December 31:

	2015
Debt securities:	
Philippines government bonds	P 127,122,059
Corporate bonds	19,200,688
Mutual funds	25,466,354
UITF	18,759,495
Others	(179,793)
	P 190,368,803

The fair values of the above debt securities and investments are determined based on quoted market prices in active markets.

UITF and mutual funds are composed of short-term and money-market funds denominated in Philippine peso.

The plan assets earned a net return of P3.1 million, P3.3 million and P12.0 million in 2015, 2014 and 2013, respectively.

Plan assets do not comprise any of the Group's own financial instruments or any of its assets occupied and/or used in its operations.

The components of amounts recognized in profit or loss and in other comprehensive income in respect of the defined benefit post-employment plan are as follows:

	Notes	2015
Reported in consolidated statements of income:		
Current service cost	21.1	P 12,178,907
Net interest income	20.3	(4,754,859)
		P 7,424,048
Reported in consolidated statements of comprehensive income:		
Actuarial gains (losses) from:		
Changes in experience adjustments		P 10,795,456
Financial assumptions		(6,118,553)
Changes in demographic assumption		(949,590)
Return on plan assets (excluding amounts included in net interest)		(5,626,689)
Effect of asset ceiling		-
		(P 1,899,376)

Current service cost is presented as part of salaries and employee benefit account under the General and Administrative Expenses account in the consolidated statements of income (see Note 18).

The net interest income is included in Other Gains – Net account in the consolidated statements of income (see Note 20.3). Amounts recognized in other comprehensive income, net of tax, were classified within items that will not be reclassified subsequently to profit or loss in the consolidated statements of comprehensive income.

For determination of the post-employment benefit obligation, the following actuarial assumptions were used:

	2015
Discount rates	**5.0% - 5.4%**
Salary increases rate	**8.00%**

Assumptions regarding future mortality are based on published statistics and mortality tables. The average remaining working lives of employees before retirement at the age of 60 ranges from 3.5 to 35 years for males and 10 to 35 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 bonds will increase the plan obligation. However, this will be partially offset by an increase in the return on the plan's investments in debt securities and if the return on plan asset falls below this rate, it will create a deficit in the plan. Currently, the plan has generally concentrated on investment in debt securities, although the Group also invests in UITF and mutual funds.

(ii) Longevity and Salary Risks

The present value of the 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 in the succeeding page.

(i) Sensitivity Analysis

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the defined benefit obligation as of December 31, 2015 and 2014:

	Impact on Post-employment Benefit Obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
2015			
Discount rate	**+/- 0.5%**	**(P 6,799,635)**	**P 15,481,564**
Salary increase rate	**+/- 1.0%**	**7,665,630**	**(12,392,184)**

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 that long-term investments are in line with the obligations under the retirement scheme. This strategy aims to match the plan assets to the retirement obligations by investing in long-term fixed interest securities (i.e., government or corporate bonds) with maturities that match the benefit payments as they fall due and in the appropriate currency. The Group actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the retirement obligations.

In view of this, investments are made in reasonably diversified portfolio, such that the failure of any single investment would not have a material impact on the overall level of assets. A large portion of the plan assets as at December 31, 2015 and 2014 consists of government and corporate debt securities, although the Group also invests in UITF and mutual funds.

(iii) Funding Arrangements and Expected Contributions

The plan is currently overfunded by P97.5 million based on the latest actuarial valuations.

The Group expects to make contribution of P16.7 million to the plan during the next reporting period.

The maturity profile of undiscounted expected benefit payments from the plan follows:

	2015
Within one year	**P 3,130,910**
More than one year to five years	**5,302,148**
More than five years to 10 years	**50,961,247**
More than 10 years to 15 years	**89,331,834**
More than 15 years to 20 years	**169,887,912**
More than 20 years	**1,838,193,071**
	P2,156,807,122

22. TAXES

22.1 Registration with Economic Zone Authorities and Fil-Dragon Taxation

(a) Registration with Clark Development Corporation (CDC)

Kita, a subsidiary, is registered with CDC under RA No. 7227, *The Bases Conversion and Development Act of 1992*, as amended under RA No. 9400, *An Act Amending RA No. 7227, as Amended, Otherwise Known as the Bases Conversion and Development Act of 1992, and for Other Purposes*. As a registered business enterprise within the Clark Freeport Zone, Kita is exempted from national and local taxes and is entitled to tax and duty free importation of raw materials, equipment, household and personal items. In lieu of said taxes, Kita is subject to a 5% preferential tax rate on its registered activities. However, the 30% regular corporate income tax (RCIT) tax rate is applied to income coming from sources other than Kita's registered activities.

(b) Registration with Philippine Economic Zone Authority (PEZA)

SMC is registered with the PEZA as an Ecozone Facilities Enterprise at the Laguna International Industrial Park – Special Economic Zone (LIIP – SEZ). As an Ecozone Facilities Enterprise, SMC shall lease its building in LIIP – SEZ to PEZA-registered export enterprises located therein. SMC is subject to 5% tax on gross income earned on such facilities in lieu of all national and local taxes.

SMC waived its right to avail of the 5% special tax rate on gross income tax for the taxable year ended December 31, 2015. As such, SMC reported all its taxable income in 2015 in accordance with the regular corporate income tax rules under the 1997 Tax Code, as amended, and the related Bureau of Internal Revenue (BIR) rules and regulations.

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.

(c) *Fil-Dragon Taxation*

Pursuant to the relevant laws and regulations in the PRC, Fil-Dragon is subject to PRC corporate income tax of 25% on the estimated assessable profit for the year. No provision has been provided in the consolidated financial statements in 2015 as Fil-Dragon did not generate any assessable profits. In 2015, Fil-Dragon recognized tax expense amounting to P214.5 million (see Note 22.2).

22.2 Current and Deferred Taxes

The components of tax expense (income) as reported in the consolidated statements of income and consolidated statements of comprehensive income are as follows:

	2015
Reported in consolidated statements of income:	
Current tax expense:	
Regular corporate income tax (RCIT) at 30%	**P 252,629,434**
PRC corporate income tax at 25%	**214,541,027**
Final taxes at 20% and 7.5%	**11,373,538**
Minimum corporate income tax (MCIT) at 2%	**6,587,196**
Preferential tax at 5%	**2,062,586**
	487,193,781
Deferred tax income relating to origination and reversal of temporary differences	**(327,910,166)**
	P 159,283,615
Reported in consolidated statements of comprehensive income:	
Deferred tax expense (income) on remeasurements of defined benefit post-employment obligation	**(P 508,268)**
Deferred tax expense on changes in fair value of AFS financial assets	**414,000**
	(P 94,268)

A reconciliation of tax on pretax profit (loss) computed at the applicable statutory rate to tax expense reported in the consolidated statements of income is shown below.

	2015
Tax on pretax profit (loss) at 30%	P 249,656,567
Adjustment for income subjected to lower tax rates	(14,790,374)
Tax effects of:	
Excess of itemized deductions over optional standard deduction	(133,754,476)
Nondeductible expenses and losses	59,185,631
Unrecognized deferred tax assets (DTA) from net operating loss carry-over (NOLCO) and MCIT and other temporary differences	14,295,227
Nontaxable income	(7,339,663)
Income of foreign subsidiary not subject to taxes	(7,232,973)
Benefit from previously unrecognized NOLCO, MCIT and other temporary differences	(944,037)
Others	207,713
	P 159,283,615

The net deferred tax assets of certain subsidiaries having a net deferred tax asset position as of December 31 relate to the following:

	2015
Deferred tax assets:	
NOLCO	P 59,067,267
Accrued expenses	30,556,450
MCIT	27,369,486
Allowance for impairment on trade and other receivables	22,814,658
Allowance for inventory obsolescence	18,300,158
Unrealized foreign currency loss (gain)	4,258,476
Retirement benefit obligation	2,853,896
Provision for warranty claims	975,960
Deferred tax assets – net	P 166,196,351

The net deferred tax liabilities of SGI and other subsidiaries which have a net deferred tax liability position as of December 31 relate to the following:

	2015	
Deferred tax assets:		
NOLCO	P 5,183,576	
Allowance for impairment on trade and other receivables	2,359,282	
Unamortized past service costs	925,584	
Loss on investment in subsidiaries	838,709	
Allowance for inventory obsolescence	312,182	
MCIT	91,988	
Deferred rent expense – PAS 17	-	
Changes in fair value of AFS financial asset	-	
Unearned rent income	-	
Deferred tax liabilities:		
Fair value gains on investment property – net	(466,812,439)	
Accumulated depreciation on investment property	(140,599,874)	
Retirement benefit asset	(31,624,672)	
Excess of FV over cost of property	(14,653,835)	-
Unrealized foreign currency gains	(1,812,794)	
Deferred rent income – PAS 17	(1,685,071)	
Changes in fair value of AFS	(240,000)	-
Changes in fair value of financial assets at FVTPL	-	
Deferred tax liabilities – net	(P 647,717,364)	

The components of net deferred tax expense (income) reported in the consolidated statements of income are as follows:

		2015
Fair value gains on investment property – net	**(P**	**289,768,359)**
NOLCO	**(**	**35,518,264)**
Allowance for inventory obsolescence		**11,709,868**)
Unrealized foreign currency gains – net	**(**	**7,634,216)**
Accrued expenses		**6,957,200**
Benefits from previously unrecognized MCIT	**(**	**6,456,516)**
Allowance for impairment on trade and other receivables	**(**	**4,398,520)**
Accumulated depreciation on investment property	**(**	**1,849,819)**
Retirement benefit obligation (asset)	**(**	**984,648)**
Deferred rent income – PAS 17	**(**	**227,395)**
Unamortized past service costs		**178,593**
Provision for warranty claims		**81,910**
Changes in fair value of financial assets at FVTPL		**-**
Deferred rent expense – PAS 17		**-**
Refundable deposits		**-**
Change in fair value of AFS		**-**
Unearned rent income		**-**
Unamortized pre-operating expenses		**-**
	(P	**327,910,166)**

The deferred tax expense recognized in the consolidated statements of comprehensive income pertains to the tax effect of the changes in fair value of AFS financial assets and remeasurements of post-employment defined benefit plan (see Note 23.3).

The movements in the Group's NOLCO and MCIT are as follows:

Year	**Original Amount**	**Applied in Previous Years**	**Applied in Current Year**	**Expired Balance**	**Remaining Balance**	**Valid Until**
NOLCO:						
2015	P 99,706,286	P -	P -	P -	P 99,706,286	2018
2014	157,221,922	-	-	-	157,221,922	2017
2013	36,638,281	-	-	-	36,638,281	2016
2012	15,862,462	-	-	15,862,462	-	2015
	P 309,428,951	P	P -	P 15,862,462	P 293,566,489	
MCIT:						
2015	P 6,970,739	P -	P -	P -	P 6,970,739	2018
2014	10,352,997	-	-	-	10,352,997	2017
2013	11,066,107	-	-	-	11,066,107	2016
2012	222,424	-	-	222,424	-	2015
	P 28,612,267	P -	P -	P 222,424	P 28,389,843	

Fil-Dragon has incurred tax losses amounting to P138.5 million (¥19.1 million) and P30.0 million (¥4.3 million) in 2014 and 2013, respectively. Similar to NOLCO, these tax losses can be applied as deductions from future taxable income of Fil-Dragon. The benefits from the tax losses which have expiration of five years, were claimed in 2015.

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.

	2015	
	Amount	Tax Effect
NOLCO	P 79,397,012	P 23,819,104
Unrealized foreign currency gain	(13,297,033)	(3,989,110)
Allowance for impairment loss on AFS financial assets	3,809,492	1,142,848
Retirement benefit obligation	1,063,827	319,148
MCIT	928,369	928,369
Allowance for impairment of trade receivables	165,422	49,627
Allowance for inventory obsolescence	844,748	253,423
Unearned income	-	-
	P 72,911,837	P 22,523,409

Except for SMC, the Group opted to claim itemized deductions in computing for its income tax due in 2015. SMC opted to claim optional standard deductions in 2015.

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 SEC 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 consisted of 524,475,000 primary shares (new shares) and 140,525,000 secondary shares (existing shares).

As of December 31, 2015, the Parent Company has issued shares of 2,030,975,000 (with P1 par value), of which, 395,965,704 and 394,465,704 shares are held by the public, respectively. There are 4,366 holders of the listed shares which closed at P1.13 per share on December 31, 2015.

23.2 Retained Earnings

The BOD approved the declaration of cash dividends in 2015, 2014 and 2013 as follows:

Date of Declaration	Stockholders of Record as of	No. of Shares Outstanding	Amount per Share	Total
August 7, 2015	August 28, 2015	1,821,542,000	P 0.06	P 109,292,520
August 12, 2014	August 29, 2014	1,821,542,000	0.06	109,292,520
August 8, 2013	August 30, 2013	1,821,542,000	0.06	109,292,520

Retained earnings is restricted in the amount of P115.6 million as of December 31, 2015 and 2014, equivalent to the cost of 209,433,000 shares held in treasury.

23.3 Revaluation Reserves

The components of this account and its movements are as follows:

	Notes	2016	2015
Balance at beginning of year		**P 35,038,173**	P 21,082,300
Currency exchange differences on translating financial statements of foreign operations	2	**(12,665,061)**	1,299,813
Balance at end of period		**P 22,373,112**	P 22,382,113

24. EARNINGS (LOSS) PER SHARE

Basic and diluted earnings (loss) for profit (loss) attributable to the Parent Company's stockholders are computed as follows:

	2016	2015
Net profit (loss) for the period attributable to the Parent Company's stockholders	**(P 2,108,947)**	(P 54,117,358)
Divided by weighted average shares outstanding:		
Number of shares issued	**2,030,975,000**	2,030,975,000
Treasury shares	**(209,433,000)**	(209,433,000)
	1,821,542,000	1,821,542,000
Earnings (loss) per share – basic and diluted	**P 0.00**	(P 0.03)

There were no outstanding convertible preferred shares and bonds or other stock equivalents as of March 31, 2016 and December 31, 2015; hence, diluted earnings (loss) per share is equal to the basic earnings (loss) per share.

25. RELATED PARTY TRANSACTIONS

The Group's related parties include other companies owned by the Parent Company's majority stockholders and the Group's key management personnel. A summary of the Group's related party transactions as at December 31, 2015 and for the year ended is summarized below and in the succeeding pages.

		2015	
Related Party Category	Notes	Amounts of Transaction	Outstanding Balances
Related Parties Under Common Ownership:			
Purchase of mobile phones	25.5	**P 2,881,839,025**	**(P 67,026,256)**
Advances to suppliers	25.5	**(174,696,873)**	**51,950,834**
Availment (payment) of loans	25.7	**(456,642,697)**	**(152,458,471)**
Interest expense	25.7	**56,567,376**	**(16,891,866)**
Cash advances obtained	25.4	**36,384,895**	**(73,258,388)**
Interest income	25.3, 25.6	**8,991,695**	**5,042,015**
Lease of real property	25.2	**823,650**	**93,222**
Cash advances granted	25.4	**(27,327,315)**	**1,653,330**
Commissions	25.5	**1,800,000**	**1,800,000**
Advances for equipment	25.5	**401,786**	**(7,939)**
Collection of receivables	25.5	**15,588,734**	**(16,312,002)**
Purchase of parts	25.1	**772,315**	**(10,293,439)**
Granting (collection) of business loans	25.3, 25.6	**(162,688,761)**	**14,000,000**

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. None of the Group's outstanding receivables and advances from related parties are impaired.

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25.1 Purchase of Goods

SE Corp. purchases parts and supplies from CPD. Total purchases of parts and supplies amounting to are recorded as part of Materials, supplies and other consumables under Cost of Services in the consolidated statements of income (see Note 17.2) while unused parts and supplies are included as part of Service parts, supplies and others under the Merchandise Inventories and Supplies account in the consolidated statements of financial position (see Note 9). The outstanding liability arising from these are presented as part of Trade payables under the Trade and Other Payables account in the consolidated statements of financial position (see Note 15).

25.2 Lease of Real Property

SMC leases out certain land and buildings to Avid Sales Corporation (Avid), a related party under common ownership. Also, SE Corp. leases out its office space to CPD and Avid. Income from these leases is shown as part of Rentals in the consolidated statements of income (see Note 12). Uncollected billings, on the other hand, form part of Rental receivables under the Trade and Other Receivables account in the consolidated statements of financial position (see Note 7).

The outstanding receivables from related parties are unsecured and do not bear any interest. Based on management's assessment, all receivables from related parties are fully collectible; hence, no impairment loss was recognized in 2015.

25.3 Granting of Loans

SMFI grants business loans and other loans to its related parties that bear interests ranging from 7.5% to 9.0% in 2015. Total interest earned from these loans is presented as part of Interest under the Revenues account in the consolidated statements of income. The outstanding receivables from these business loans are shown as part of Loans receivables under the Trade and Other Receivables account in the consolidated statements of financial position (see Note 7).

The outstanding receivables from business loans as of December 31, 2015 are as follows:

	2015
Avid	**P 14,000,000**
AA Export and Import Corp. (AA Export)	**-**
AA Marine Development Corp. (AA Marine)	**-**
Philippine Prawn, Inc. (PPI)	**-**
Baybayan Farm, Inc. (BFI)	**-**
Kawayan Farm, Inc. (KFI)	**-**
	P 14,000,000

In prior years, SMFI granted unsecured business loan to Avid with the original principal loan amounting to P80.0 million. Principal repayment related to this loan amounted to

P11.0 million in 2015 and P2.0 million in 2014. There was no principal repayment in 2013. This loan is payable on demand.

The business loans to AA Export, AA Marine, PPI, BFI and KFI were originally repayable with a lump sum payment in January 2009 of the outstanding principal balance as of December 31, 2008. On January 12, 2009, SMFI's BOD approved the extension of the payment term of the business loan for an additional period of seven years until December 31, 2015. Also, on August 23, 2012, SMFI's BOD approved the suspension of the payment of amortization for the principal amount of these loans; hence, there were no principal repayments on these loans in 2013. In 2014, principal repayment amounted to P2.0 million. These loans were fully settled in 2015.

The business loan granted to AA Export is secured by its own shares of stock which are owned by a related party. All other business loans granted to related parties are unsecured.

There were no impairment losses recognized on the outstanding balances of business loans to granted to related parties in 2015 based on management's assessment.

25.4 Advances to and from Related Parties

Certain subsidiaries of the Group grants and obtains unsecured, noninterest-bearing cash advances to and from related parties owned by the Parent Company's majority stockholders for working capital requirements and other purposes. The outstanding balances of Advances to Related Parties amounted to P1.4 million and P1.6 million as of March 31, 2016 and December 31, 2015, respectively, while the outstanding balances of Advances from Related Parties amounted to P46.6 million and P73.2 million as of March 31, 2016 and December 31, 2015, respectively.

These advances have no definite repayment dates and are generally settled in cash depending on available resources of the parties involved. No impairment losses were recognized on the outstanding balances of Advances to Related Parties as management has assessed that such amounts are fully collectible.

25.5 Transactions with Solid Trading Limited (STL)

SVC earns commission from sales of STL, a company owned by SGI's majority stockholders, to customers in the Philippines. Commissions earned are presented as part of Rendering of Services in the consolidated statements of income. The outstanding balance arising from these transactions as of December 31, 2015 are shown as part of Trade receivables under the Trade and Other Receivables account in the consolidated statements of financial position (see Note 7).

SVC also collects the receivables related to the sales of STL which are payable immediately upon receipt. Total obligations arising from this transaction as of March 31, 2016 and December 31, 2015 is presented as Due to a related party under the Trade and Other Payables account in the consolidated statements of financial position (see Note 15).

My Solid purchases mobile phone inventories from STL. Total purchases are presented as part of Cost of Sales in the consolidated statements of income (see Note 17.1). Outstanding liabilities relating to these transactions as of March 31, 2016 and December 31, 2015, respectively, and are shown as part of Trade payables under the Trade and Other Payables account in the consolidated statements of financial position (see Note 15).

My Solid also made advance payments to STL for its future purchase of mobile phone inventories. The outstanding advances are presented as part of Advances to suppliers under Trade and Other Receivables account in the consolidated statements of financial position (see Note 7).

25.6 Transactions with SCL

In 2008, BRL granted an unsecured, interest-bearing loan denominated in Chinese yuan RMB to SCL, a related party owned by the Parent Company's majority stockholders, amounting to P125.1 million (¥17.4 million) which matures on March 1, 2011. The loan bears an annual interest rate of 6% payable annually with any unpaid interest compounded annually at the same rate of the principal amount. In 2009, the parties agreed to amend the loan agreement reducing the annual interest rate to 4% and making the loan payable in U.S. dollar. In 2011, the parties agreed to increase the annual interest rate to 5% and extend the loan for another year. In 2014, the parties agreed to further extend the term of the loan to March 31, 2015. Interest rate was maintained at 5%. In 2015, all of the loan receivable has been collected which has been used to partially pay the loan obtained from Bank of Singapore.

Interests earned from these loans are presented as part of Interest account under the Revenues section in the consolidated statements of income.

25.7 Loan Availments

In 2011, Fil-Dragon obtained loans from companies that are owned by SCL. Outstanding balance from these loans amounted to ¥21.1 million (P150.3 million) and ¥21.1 million (P152.5 million) as at March 31, 2016 and December 31, 2015, respectively. These loans bear annual interest at prevailing market rates ranging from 6% to 15% in 2015. The liabilities are unsecured and payable on demand. The amount of loan is presented as part of Interest-bearing loans in the consolidated statements of financial position. Borrowing cost incurred is shown as part of Interest expense on interest-bearing loans under the Finance Costs account in the consolidated statements of income (see Notes 14 and 20.1).

25.8 Key Management Personnel Compensation

The compensation of key management personnel is broken down as follows:

	2015
Short-term benefits	P 42,692,723
Post-employment benefit	3,361,129
	P 46,053,852

These amounts are shown as part of Salaries and employee benefits under General and Administrative Expenses account in the consolidated statements of income (see Note 21).

25.9 Transactions with the Retirement Fund

The Group has established a formal multi-employer retirement plan which is administered by a trustee bank, except for CBHI, My Solid, SGTC and ZTC, whose retirement fund remained unfunded as of December 31, 2015.

The retirement fund consists of government securities, corporate bonds, UITF and mutual funds with fair values totaling P190.4 million as at December 31, 2015 (see Note 21.2). The retirement fund neither provides any guarantee or surety for any obligation of the Group. The retirement fund also has no investments in the Parent Company's shares of stock which are listed for trading at the PSE.

The details of the contributions of the Group and benefits paid out by the plan to employees are presented in Note 21.2.

26. SIGNIFICANT CONTRACTS AND AGREEMENTS

26.1 Memorandum of Understanding with SPI

On July 1, 2003, SE Corp. entered into a Memorandum of Understanding (MOU) with SPI for network support services to be performed by the former to the latter. Under the MOU, SPI authorized SE Corp. to perform in-warranty and out-of-warranty services to customers in the Philippines for a fee equivalent to a certain 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. In the first quarter of 2009, SE Corp. and SPI agreed to lower the network support fees to 0.45% of SPI's net sales. Subsequently, SE Corp. and SPI agreed that network support fees shall be fixed at P1.25 million per month effective April 2009. Management believes that the MOU continues to be effective unless revoked by any of the parties.

Network support fees and in-warranty service fees relating to Sony products amounted to P80.8 million in 2015, respectively, and are presented as part of Rendering of Services in the consolidated statements of income. Outstanding balances arising from these transactions amounted to P5.8 million as of December 31, 2015, respectively, and are included as part of Trade receivables under the Trade and Other Receivables in the consolidated statements of financial position (see Note 7).

26.2 Distributorship Agreement with Sony Corporation of Hong Kong Limited (Sony HK)

SVC has a non-exclusive Distributorship Agreement (the Agreement) with Sony HK, a corporation organized and existing under and by virtue of the laws of Hong Kong. Under the Agreement, SVC was designated by Sony HK as its non-exclusive distributor of Sony products in the Philippines. In addition, SVC shall provide the customers in the Philippines with repair and parts replacement services, including but not limited to repair and parts replacement services rendered by SVC which are covered under the 12 month-warranty period at its own costs and expenses. Management believes that the Agreement continues to be effective although no formal renewal has been made since 2007.

26.3 Management Agreement with Sky Cable Corporation

SBC and Sky Cable Corporation (SCC) agreed that the management and administration of the sale, assignment and transfer of its assets, equipment, contracts, permits, licenses and subscriber base (the "Assets") of SBC be entrusted to SCC. SCC, as the manager of the Assets, was given the overall power and responsibilities to handle all aspects necessary to carry out the administration and operations of the Assets and SBC, to accord the necessary additional authorizations, should the need arise.

Revenues arising from these transactions in 2015 are presented as part of Rendering of Services under Revenues in the 2015 consolidated statement of income. The outstanding receivable amounted to P1.8 million as of December 31, 2015 and included as part of Trade Receivables under Trade and Other Receivables account in the 2015 consolidated statement of financial position (see Note 7). The expense related to it is presented as part of Service fees under Cost of Services account in the 2015 consolidated statement of income (see Note 17.2).

27. COMMITMENTS AND CONTINGENCIES

The following are the significant commitments and contingencies involving the Group:

27.1 Operating Lease Commitments – Group as Lessor

Certain subsidiaries lease out real estate properties under various non-cancellable lease agreements with terms ranging from one to ten years. Some of these lease transactions are subject to 5% to 10% escalation rate. The future minimum lease receivables under these non-cancellable operating leases as of December 31 are as follows:

	2015
Within one year	**P 45,283,142**
After one year but not more than five years	**48,757,787**
More than five years	**673,905**
	P 94,714,834

Rental income earned from these transactions amounted to P146.1 million in 2015, respectively, and are presented as Rentals under Revenues in the consolidated statements of income.

27.2 Operating Lease Commitments – Group as Lessee

The Group is a lessee under non-cancellable operating leases covering several parcels of land. These leases have terms of 25 years expiring in 2019. Lease payments are fixed for the first five years. Thereafter, the lease on land is subject to 100% escalation rate every five years while the lease on land improvements is subject to an annual escalation rate of 10%.

	2015
Within one year	**P 10,729,435**
After one year but not more than five years	**26,593,770**
	P 37,323,205

Rental expense charged to operations from these operating leases amounted to P7.4 million in 2015, and are shown as part of Rentals under Cost of Rentals account in the consolidated statements of income (see Notes 17.2 and 17.3).

Refundable deposits received in relation to these lease arrangements amounted to P24.4 million in 2015. These amounts are presented as part of Other Current Assets and Other Non-current Assets in the consolidated statements of financial position (see Note 13).

27.3 Estimated Liability for Land and Land Development Cost

The Group has commitment of about P68.3 million as at December 31, 2015 for the fulfillment of projects in the development and marketing of CPIP (see Note 10).

27.4 Purchase Commitments

In 2007, ZTC entered into several construction contracts with various suppliers for the construction of the Tri Towers condominium building (see Note 10). The construction of Tower 1 and Tower 2 was completed in 2008 and 2012, respectively, while the construction of Tower 3 was not yet started as of December 31, 2015.

27.5 Possible Impact of Government Project

In 2005, ZTC received a notification from the Urban Roads Projects Office (URPO) of the Department of Public Works and Highways (DPWH) that the location of the Tri Towers condominium building project (see Note 10) might be affected by the plans of the National Government of the Philippines for the construction of the proposed 2nd Ayala Bridge. However, the URPO stated that it has not yet undertaken the detailed engineering design that will ascertain if the location of the ZTC's property will be affected by the road's right-of-way.

The Group decided to continue the Tri Towers condominium building project despite the notification received from the DPWH because management believes that the likelihood of a possible expropriation of the land is remote given the current status of the government project.

27.6 Properties Under Development

Fil-Dragon has a commitment for about P54.4 million (¥7.6 million) as of December 31, 2015, for the construction of the Golden Hill Project (see Note 10).

27.7 Option Agreement

Relative to SBC's sale of its broadband assets and subscriber base, SGI granted SCC with an option to purchase SGI'S shares in SBC. The said option is exercisable until December 31, 2013. As of December 31, 2013, SCC has not exercised this option (see Note 26.3); hence, the Parent Company still holds the ownership interests in SBC.

27.8 Others

As of December 31, 2015, the Group has unused credit facilities amounting to P866.1 million. 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, 2015, 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 financial liabilities by category are summarized in Note 29.1. The main types of risks are market risk, credit risk and liquidity risk.

The Group's risk management is coordinated with its BOD and focuses on actively securing the Group's short to medium-term cash flows by minimizing the exposure to financial markets. Long-term financial investments are managed to generate continuous returns.

The Group does not engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed to are described in the succeeding page.

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 both its operating, investing and financing activities.

(a) Foreign Currency Risk

Most of the Group's transactions are carried out in Philippine pesos, its functional currency. Exposures to currency exchange rates arise from the Group's foreign currency denominated trade and other receivables, interest-bearing loans and trade and other payables, which are primarily denominated in U.S. dollars and Chinese yuan RMB. The Group also holds U.S. dollar-denominated cash and cash equivalents.

To mitigate the Group's exposure to foreign currency risk, non-Philippine peso cash flows are monitored.

Foreign currency-denominated financial assets and liabilities, translated into Philippine pesos at the closing rate are as follows:

	2016		2015	
	U.S. Dollar	**Chinese Yuan Renminbi**	U.S. Dollar	Chinese Yuan Renminbi
Financial assets	**P400,357,044**	**P 47,648,577**	P 92,591,221	P 152,824,103
Financial liabilities	**(66,735,589)**	**(419,539,312)**	(76,481,790)	(440,655,210)
Short-term exposure	**P 333,621,455**	**(P371,890,735)**	P 16,109,431	(P 287,831,107)

The following table illustrates the sensitivity of the Group's profit (loss) before tax with respect to changes in Philippine pesos against foreign currency exchange rates. The percentage changes in rates have been determined based on the average market volatility in exchange rates, using standard deviation, in the previous 3 months at a 99% confidence level.

	2015		2014	
	Reasonably Possible Change in Rate	**Effect in Profit Before Tax**	Reasonably Possible Change in Rate	Effect in Loss Before Tax
Php – USD	**4.31%**	**P 14,388,007**	10.42%	P 1,678,603
Php – RMB	**2.90%**	**(10,770,659)**	17.36%	(49,967,480)
		P 3,617,348		(P 48,288,877)

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's foreign currency risk.

(b) Interest Rate Risk

At March 31, 2016 and December 31, 2015, the Group is exposed to changes in market interest rates through its cash and cash equivalents, which are subject to variable interest rates (see Note 5). All other financial assets and financial liabilities have fixed rates.

The following illustrates the sensitivity of profit (loss) before tax for the period to a reasonably possible change in interest rates of +/-5.77% in 2016 and +/-2.03% in 2015. These changes in rates have been determined based on the average market volatility in interest rates, using standard deviation, in the previous 3 months, estimated at 99% level of confidence. The sensitivity analysis is based on the Group's financial instruments held at each reporting date, with effect estimated from the beginning of the year. All other variables held constant, if the interest rate increased by +/-5.77% in 2016 and +/-2.03% in 2015, profit before tax in 2016 would have increased by P1.2 million, profit before tax in 2015 would have increased by P26.8 million, respectively. Conversely, if the interest rate decreased by the same percentages, profit before tax in 2016 and 2015 would have been higher.

(c) Other Price Risk

The Group's market price risk arises from its investments carried at fair value (i.e., financial assets classified as financial assets at FVTPL and AFS financial assets). The Group manages exposures to price risk by monitoring the changes in the market price of the investments and at some extent, diversifying the investment portfolio in accordance with the limit set by management.

28.2 Credit Risk

Credit risk is the risk that the counterparties may fail to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments arising from granting loans and selling goods and services to customers including related parties, placing deposits with banks and investing in UITF.

Generally, 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 (or in the detailed analysis provided in the notes to the consolidated financial statements), as summarized below:

	Notes	**2016**	2015
Cash and cash equivalents	5	**P 2,786,978,854**	P 2,576,733,713
Financial assets at FVTPL	6	**161,341,604**	123,008,280
Trade and other receivables (excluding advances to suppliers) – net	7	**1,617,048,675**	1,670,427,714
Advances to related parties	25	**1,400,000**	1,653,330
Restricted cash and cash bond	13	**5,051,840**	5,114,197
Refundable deposits	13	**24,267,308**	24,371,762
		P 4,596,088,281	P 4,401,308,996

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. Where available at a reasonable cost, external credit ratings and/or reports and other counterparties are obtained and used. The Group's policy is to deal only with creditworthy counterparties. In addition, for a significant proportion of real estate sales, advance payments are received to mitigate credit risk.

The Group's management considers that all the above financial assets that are not impaired or past due at the end of each reporting period are of good credit quality.

(a) Cash and Cash Equivalents and Financial Assets at FVTPL

The credit risk for cash and cash equivalents and financial assets at FVTPL in the consolidated statements of financial position, is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. Included in the cash and cash equivalents are cash in banks and short-term placements which are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P500,000 for every depositor per banking institution.

(b) Trade and Other Receivables

In respect of trade and other receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Trade receivables consist of a large number of customers in various industries and geographical areas. Based on historical information about customer default rates, management consider the quality of trade and other receivables that are not past due or impaired to be good.

Except for trade receivables arising from real estate sales, none of the financial assets are secured by collateral or other credit enhancements. Trade receivables arising from real estate sales are secured by industrial lots and condominium units sold to buyers and are covered by postdated checks.

(c) Advances to Related Parties

The Group is not exposed to any significant credit risk exposure in respect of advances to related parties. These advances are generally receivable in cash upon demand. These related parties are considered to be in good financial condition.

Some of the unimpaired trade receivables are past due at the end of the reporting period. Trade receivables and advances to related parties past due but not impaired can be shown as follows:

	2015
Not more than three months	**P 51,781,362**
More than three months but not more than one year	**7,041,902**
More than one year	**-**
	P 58,823,264

There were no other financial assets that are past due as of December 31, 2015.

28.3 Liquidity Risk

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 and UITF. 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, 2015, the Group's financial liabilities have contractual maturities, which are presented below.

	Current		Non-current
	Within 6 Months	**6 to 12 Months**	**1 to 5 Years**
Interest-bearing loans	P 269,414,037	P -	P -
Trade and other payables	600,470,971	-	-
Advances from related parties	73,258,388	-	-
Refundable deposits	-	-	19,022,892
	P 943,143,396	**P -**	**P 19,022,892**

The above contractual maturities reflect the gross cash flows, which may differ with the carrying values of the financial liabilities at the end of reporting period.

29. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

29.1 Carrying Amounts and Fair Values by Category

The carrying amounts and fair values of the categories of financial assets and financial liabilities presented in the consolidated statements of financial position are shown below.

		2016		2015	
	Notes	**Carrying Amounts**	**Fair Values**	Carrying Amounts	Fair Values
Financial assets					
Loans and receivables:					
Cash and cash equivalents	5	**P2,786,978,854**	**P2,786,978,854**	P 2,576,733,713	P 2,576,733,713
Trade and other receivables – net	7	**1,617,048,675**	**1,617,048,675**	1,670,427,714	1,670,427,714
Advances to related parties	25	**1,400,000**	**1,400,000**	1,653,330	1,653,330
Restricted cash and cash bond	13	**5,051,840**	**5,051,840**	5,114,197	5,114,197
Refundable deposits	13	**24,267,308**	**24,267,308**	24,371,762	24,371,762
		4,434,746,677	**4,434,746,677**	4,278,300,716	4,278,300,716
Financial assets at FVTPL	6	**161,341,604**	**161,341,604**	123,008,820	123,008,820
AFS financial assets:	8				
Golf club shares – net		**13,357,258**	**13,357,258**	13,202,400	13,202,400
Others		**636,527**	**636,527**	634,127	634,127
		13,993,785	**13,993,785**	13,836,527	13,836,527
		P 4,610,082,066	**P 4,610,082,066**	P 4,415,146,063	**P** 4,415,146,063

	Notes	2016 Carrying Amounts	2016 Fair Values	2015 Carrying Amounts	2015 Fair Values
Financial liabilities					
At amortized cost:					
Interest-bearing loans – net	14	**P 272,659,471**	**P 272,659,471**	P 269,414,037	P 269,414,037
Trade and other payables	15	**780,447,769**	**780,447,769**	600,470,971	600,470,971
Advances from related parties	25	**46,642,374**	**46,642,374**	73,258,388	73,258,388
Refundable deposits – net	16	**19,685,674**	**19,685,674**	19,022,892	19,022,892
		P 1,119,435,288	**P 1,119,435,288**	P 962,166,288	P 962,166,288

See Notes 2.5 and 2.11 for a description of the accounting policies for each category of financial instruments. 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 setoff 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 BODs and stockholders of both parties.

The Group's outstanding cash advances obtained from other related parties amounting to P46.6 million and P73.3 million as at March 31, 2016 and December 31, 2015 and presented as Advances from Related Parties account in the consolidated statements of financial position, can be offset by the amount of outstanding cash advances granted to other related parties amounting to P1.4 million and P1.7 million as at March 31, 2016 and December 31, 2015, respectively.

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. As at March 31, 2016 and December 31, 2015, the Group's cash surrender value of investment in life insurance amounting to P583.9 million and P591.9 million, respectively, and presented as part of Trade and Other Receivables in the consolidated statements of financial position may be used to settle the outstanding loans of BRL amounting to P103.1 million and P104.7 million as at March 31, 2016 and December 31, 2015, respectively, and included as part of Interest-bearing Loans in the consolidated statements of financial position (see Notes 7 and 14).

30. FAIR VALUE MEASUREMENTS AND DISCLOSURES

30.1 Fair Value Hierarchy

In accordance with PFRS 13, the fair value of financial assets and financial liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value. The fair value hierarchy has the following levels:

The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the asset or 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 table below shows the fair value hierarchy of the Group's classes of financial assets measured at fair value in the consolidated statements of financial position on a recurring basis as of March 31, 2016 and December 31, 2015.

		2016			
	Notes	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at FVTPL	**6**	**P -**	**P 161,341,604**	**P -**	**P 161,341,604**
AFS financial assets	**8**	**-**	**13, 357,258**	**-**	**13,357,258**
		P -	**P 174,698,862**	**P -**	**P 174,698,862**

		2015			
	Notes	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL	6	P -	P 123,008,280	P -	P 123,008,280
AFS financial assets	8	-	13,202,400	-	13,202,400
		P -	P 136,210,680	P -	P 136,210,680

As at March 31, 2016 and December 31, 2015, the Group has certain unquoted AFS financial assets amounting to P634,127 that are measured at cost; hence, these assets are not included within the fair value hierarchy.

The Group has no financial liabilities measured at fair value as at December 31, 2015. There were neither transfers between Levels 1 and 2 nor changes in Level 3 instruments in both years.

UITF classified as financial assets at FVTPL and club shares and equity securities classified as AFS financial assets are included in Level 2 as their prices are not derived from market considered as active due to lack of trading activities among market participants at the end or close to the end of the reporting period.

30.3 Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed

The table below summarizes the fair value hierarchy of the Group's financial assets and financial liabilities which are not measured at fair value in the consolidated statements of financial position but for which fair value is disclosed.

	Notes	2016 Level 1	Level 2	Level 3	Total
Financial Assets					
Loans and receivables:					
Cash and cash equivalents	5	**P 2,786,978,854**	**P -**	**P -**	**P2,786,978,854**
Trade and other receivables	7	-	-	**1,617,048,675**	**1,617,048,675**
Advances to related parties	25	-	-	**1,400,000**	**1,400,000**
Restricted cash and cash bond	13	-	-	**5,051,840**	**5,051,840**
Refundable deposits	13	-	-	**24,267,308**	**24,267,308**
		P 2,786,978,854	**P -**	**P 1,647,767,823**	**P 4,434,746,677**
Financial Liabilities					
At amortized cost:					
Interest-bearing loans – net	14	P -	P -	**P 272,659,471**	**P 272,659,471**
Trade and other payables	15	-	-	**780,447,769**	**780,447,769**
Advances from related parties	25	-	-	**46,642,374**	**46,642,374**
Refundable deposits - net	16	-	-	**19,685,674**	**19,685,674**
		P -	**P -**	**P 1,119,435,288**	**P 1,119,435,288**

	Notes	2015 Level 1	Level 2	Level 3	Total
Financial Assets					
Loans and receivables:					
Cash and cash equivalents	5	P 2,576,733,713	P -	P -	P 2,576,733,713
Trade and other receivables	7	-	-	1,670,427,714	1,670,427,714
Advances to related parties	25	-	-	1,653,330	1,653,330
Restricted cash and cash bond	13	-	-	5,114,197	5,114,197
Refundable deposits	13	-	-	24,371,762	24,371,762
		P 2,576,733,713	P -	P 1,701,567,003	P 4,278,300,716
Financial Liabilities					
At amortized cost:					
Interest-bearing loans – net	14	P -	P -	P 269,414,037	P 269,414,037
Trade and other payables	15	-	-	600,470,971	600,470,971
Advances from related parties	25	-	-	73,258,388	73,258,388
Refundable deposits - net	16	-	-	19,022,892	19,022,892
		P -	P -	P 962,166,288	P 962,166,288

For financial assets with fair values included in Level 1, management considers that the carrying amounts of these financial instruments approximate their fair values due to their short duration.

The fair values of the financial assets and financial liabilities included in Level 3, which are not traded in an active market, are determined based on the expected cash flows of the underlying net asset or liability based on the instrument where the significant inputs required to determine the fair value of such instruments.

30.4 Fair Value Measurements of Non-financial Assets

The table below shows the Levels within the hierarchy of non-financial assets measured at fair value on a recurring basis as of March 31, 2016 and December 31, 2015.

	2016			
	Level 1	**Level 2**	**Level 3**	**Total**
Land and improvements	P -	**P1,850,330,296**	P -	**P1,850,330,296**
Building and building improvements	-	-	**795,660,751**	**795,660,751**
	P -	**P1,850,330,296**	**P 795,660,751**	**P2,645,991,047**

	2015			
	Level 1	Level 2	Level 3	Total
Land and improvements	P -	P2,209,452,699	P -	P2,209,452,699
Building and building improvements	-	-	443,766,835	443,766,835
	P -	P2,209,452,699	P 443,766,835	P2,653,219,534

The fair value of the Group's land and improvements and building and building improvements classified under Investment Property (see Note 12) are determined on the basis of the appraisals performed by Royal Asia Appraisal Corporation in 2015, Cuervo Appraisers, Inc. in 2014 and Asian Appraisal, Inc. in 2013, all are independent appraisers with appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. To some extent, the valuation process was conducted by the appraisers in discussion with the Group's management with respect to the determination of the inputs such as the size, age, and condition of the land and buildings, and the comparable prices in the corresponding property location. In estimating the fair value of these properties, management takes into account the market participant's ability to generate economic benefits by using the assets in their highest and best use. Based on management assessment, the best use of the Group's non-financial assets indicated above is their current use.

The fair value of these non-financial assets were determined based on the following approaches:

(a) Fair Value Measurement for Land and Improvements

The Level 2 fair value of land and improvements was derived using the market comparable approach that reflects the recent transaction prices for similar properties in nearby locations. Under this approach, when sales prices of comparable land in close proximity are used in the valuation of the subject property with no adjustment on the price, fair value is included in Level 2. On the other hand, if the observable recent prices of the reference properties were adjusted for differences in key attributes such as property size, zoning, and accessibility, the fair value is included in Level 3. The most significant input into this valuation approach is the price per square foot; hence, the higher the price per square foot, the higher the fair value.

(b) Fair Value Measurement for Building and Building Improvements

The Level 3 fair value of the buildings and improvements under Investment Property account was determined using the cost approach that reflects the cost to a market participant to construct an asset of comparable usage, construction standards, design and layout, adjusted for obsolescence. The more significant inputs used in the valuation include direct and indirect costs of construction such as but not limited to, labor and contractor's profit, materials and equipment, surveying and permit costs, electricity and utility costs, architectural and engineering fees, insurance and legal fees.

These inputs were derived from various suppliers and contractor's quotes, price catalogues, and construction price indices. Under this approach, higher estimated costs used in the valuation will result in higher fair value of the properties.

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 goods and services commensurately with the level of risk.

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 following is the computation of the Group's debt-to-equity ratio:

	2016	2015
Total liabilities (excluding advances from related parties)	**P 2,391,636,669**	P 2,219,515,682
Total equity	**10,049,484,836**	10,068,847,604
	0.24:1.00	0.22:1.00

The Group sets the amount of capital in proportion to its overall financing structure, i.e., equity and liabilities excluding amounts due to 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.

As at March 31, 2016 and December 31, 2015, the Group is not subject to any externally-imposed capital requirements, except for SMFI as indicated below.

Under Section 6 of RA No. 8556, SMFI is required to maintain a minimum paid-up capital of not less than P10.0 million. SMFI is in compliance with the minimum paid-up capital requirement as at December 31, 2015.

SOLID GROUP INC. AND SUBSIDIARIES
SCHEDULE OF RELEVANT RATIOS
MARCH 31, 2016

LIQUIDITY RATIOS	FORMULA	2016	2015
LIQUIDITY RATIOS			
Current ratio	Current Assets / Current Liabilities	4.04 : 1	4.34 : 1
Acid Test ratio	Cash & Cash Equivalents + Trade Receivables FAFVPL + AFS / Current Liabilities	2.58 : 1	2.48 : 1
SOLVENCY RATIOS			
Debt to Equity ratio	Total Liabilites (excluding advances from related parties) / Total Equity	0.24 : 1	0.22 : 1
Gearing Ratio	Financial Debt / Total Equity	0.03 : 1	0.03 : 1
Asset to equity ratio	Total Assets / Total Equity	1.24 : 1	1.23 : 1
Interest coverage ratio	EBIT / Interest Expense	2.97 : 1	-2.21 : 1
Profitability Ratios			
Operating Margin	Operating Profit / Total Revenues	2%	-8%
Net Profit Margin	Net Income after Tax / Total Revenues	-0.45%	-11%
Return on Total Assets	Net Income after Tax / Average Total Assets	-0.05%	-0.50%
Return on Equity	Net Income after Tax / Total Equity	-0.07%	-0.73%