COVER SHEET

845-------

SEC Registration Number

SOLID GROUP, INC.

(Company's Full Name)

2285 DON CHINO ROCES AVENUE

MAKATI CITY, PHILIPPINES

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

	843-1511
Contact Person	Company Telephone Number

2022 Definitive Information Statement

1 2	3 1		0 6	2 5
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

STAMP

Remarks: Please use BLACK

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, 2022, at 2:00 p.m. at Makati City. Due to the COVID-19 situation and for the health and safety of the stockholders, the meeting will be conducted by remote communication or *in absentia* and may be accessed through the following link :
https://us06web.zoom.us/j/87972062089?pwd=UHNuK1R4UWdzWHhtbkdyMHVLb3lVUT09

The password to attend the meeting shall be provided by the Company to all stockholders of record as of May 31, 2022 or their proxies who have successfully registered to attend the meeting (Please refer to the registration procedure below).

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 for the year ended December 31, 2021
5. Ratification of previous corporate acts
6. Election of directors
7. Appointment of external auditors
8. Other matters
9. Adjournment

Only stockholders of record as of May 31, 2022 or their proxies shall be entitled to attend and vote at the meeting. Stockholders who wish to attend the virtual meeting by remote communication or *in absentia* must email to **info@solidgroup.com.ph** their request to attend not later than the close of business on June 20, 2022.

Individual stockholders who wish to be represented at the virtual meeting by proxy must either: (a) submit an original, duly signed and accomplished proxy form (which may be downloaded from the website) by post or courier to the Office of the Corporate Secretary at the head office of Solid Group, Inc., 2285 Don Chino Roces Avenue, Makati City; or (b) email a copy of the proxy form in PDF, JPEG or similar format to **info@solidgroup.com.ph** not later than the close of business on June 20, 2022. The Company shall validate the requests and the proxies, and email to the stockholders and/or proxy holders the instructions and password on how to access the virtual stockholders' meeting.

If you own shares through your broker or your shares are lodged, please secure from your broker a duly signed and accomplished proxy form, which you or your broker must submit to the Company in the same manner above and not later than June 20, 2022. Otherwise, the Company may not recognize you as a stockholder of record.

Corporate shareholders shall likewise be required to submit a secretary's certification attesting to the authority of the representative or proxy holder to attend and vote at the virtual stockholders' meeting. The same must be submitted to the Company in the same manner above and not later than June 20, 2022. Otherwise, the Company may likewise not recognize you as a stockholder of record.

Validation of proxies will take place on June 25, 2022.

Pursuant to SEC Notice dated February 16, 2022, a copy of this Notice of meeting and accompanying annex containing a brief statement of the rationale and explanation for each item in the agenda, Definitive Information Statement, Management Report, SEC Form 17-Q, Proxy Form and other documents related to the meeting are available at the Company's website at https://www.solidgroup.com.ph/.

For any questions about the meeting, you may email **info@solidgroup.com.ph**.

Makati City, Metro Manila, Philippines, June 6, 2022.

ROBERTO V. SAN JOSE
Corporate Secretary

ANNEX "A"

AGENDA
Details and Rationale

1. Call to order

The Chairman of the Board of Directors, Mr. Jason S. Lim, will call the meeting to order

2. Proof of notice and certification of quorum

The Corporate Secretary, Atty. Roberto V. San Jose, will certify that the Notice was published within the prescribed period in accordance with the rules of the Securities and Exchange Commission, and that the Information Statement has been made available to all stockholders of record. He will attest on 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 https://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 July 29, 2021 be, as it is hereby, approved."*

4. Management report and audited financial statements

The President and Chief Executive Officer, Mrs. Susan L. Tan, will present the Management Report, the Company's operational highlights and financial results and the audited financial statements for the year ended December 31, 2021. 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 were 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 President, and the audited financial statements for the year ended December 31, 2021. The following is the proposed resolution:

> *"RESOLVED, that the Annual Report of Management as presented by the President, and the Company's audited financial statements for the year ended December 31, 2021 be, as it is hereby, approved."*

5. Ratification of previous corporate acts

The stockholders will be requested to ratify the acts, contracts, resolutions and deeds of the Board of Directors and management of the Company that were significant towards achieving the Company's performance and results. 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 elect the following members of the Board of Directors. The biographical profiles of the Director-Nominees are provided in the Information Statement that has been posted in the Company's website at https://www.solidgroup.com.ph. The Director-Nominees are the following;

For Regular Directors
1. Jason S. Lim
2. Susan L. Tan
3. Vincent S. Lim
4. David S. Lim
5. Jonathan Joseph CC. Lim
6. Kevin Michael L. Tan
7. Beda T. Mañalac

For Independent Directors
8. Rafael Simpao Jr.
9. Siegfred Mison

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 2022-2023. The audit partner-in-charge for audit year 2022 shall be Mr. Nelson J. Dinio. The following is the proposed resolution:

> *"RESOLVED, that the audit firm Punongbayan and Araullo be, as it is hereby, appointed as the Company's external auditor for the current year 2022-2023."*

8. Other matters

Management may address questions sent in by the stockholders.

9. Adjournment

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

SOLID GROUP INC.

ANNUAL STOCKHOLDERS' MEETING
June 30, 2022

PROXY FORM

Please fill up and sign the proxy and submit it to the Office of the Corporate Secretary on or before June 20, 2022.

The undersigned stockholder of Solid Group, Inc. (the "Company") hereby appoints either of

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(*Please print full name of your proxy. If this portion is left blank or no name is specified, the designated proxy shall be the Company's Chairman, Mr. Jason S. Lim, or in his absence, the Chairman of the meeting.*)

or the **Chairman, Mr. Jason S. Lim, or in his absence, the Chairman of the meeting**, as proxy, with power of substitution, to represent and vote all shares registered in the name of the undersigned, at the Annual Meeting of the Stockholders of the Company to be conducted by remote communication or *in absentia* on Thursday, June 30, 2022, and at any postponement and/or adjournment thereof for the purpose of acting on the following matters:

AGENDA ITEMS	ACTION		
Item 1. Call to order	No action necessary.		
Item 2. Proof of notice and certification of quorum	No action necessary.		
	FOR	AGAINST	ABSTAIN
Item 3. Approval of minutes of previous stockholders' meeting			
Item 4. Approval of Management report and audited financial statements for the year ended December 31, 2021			
Item 5. Ratification of previous corporate acts			
Item 6. Election of directors			
For Regular Director:			
Jason S. Lim			
Susan L. Tan			
David S. Lim			
Vincent S. Lim			
Jonathan Joseph CC. Lim			
Kevin Michael L. Tan			
Beda T. Mañalac			
For Independent Director:			
Rafael F. Simpao Jr.			
Siegfred Mison			
Item 7. Appointment of external auditors			
Item 8. Other Matters	According to Proxy's Discretion		
Item 9. Adjournment			

This proxy, when properly executed, will be voted in the manner as directed by the stockholder. If no direction is made, this proxy will be voted "FOR" the election of all nominees and for the approval of the matters stated above and for such other matters as may properly come before the meeting, in the manner described in the Information Statement and/or as recommended by Management or the Board of Directors.

A proxy submitted by a corporation should be accompanied by a Corporate Secretary's Certificate quoting the Board Resolution designating a corporate officer to execute the proxy. Proxies executed by brokers must be accompanied by a Certification under oath stating that the broker has obtained the written consent of the account holder. Forms of the Certification may be requested from the Investor Relations Officer at **info@solidgroup.com.ph**

A stockholder giving a proxy has the power to revoke it at any time before the right granted is exercised. A proxy is also considered revoked if the stockholder attends the meeting in person and expresses his intention to vote in person. This proxy shall be valid for the Annual Meeting of the Stockholders of the Company to be conducted by remote communication or *in absentia* on Thursday, June 30, 2022, and at any postponement and/or adjournment thereof.

Signed this __________________ (*Date*) at ____________________________ (*Place*).

Printed Name of Stockholder **Signature of Stockholder or Authorized Signatory**

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 20-IS
INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

__________ **Preliminary Information Statement**

____✔____ **Definitive Information Statement**

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

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

3. SEC Identification Number: **845**

4. BIR Tax Identification Code: **000-508-536-000**

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

6. Registrant's telephone number, including area code: **(632) 8843-1511**

7. Date, time and place of the meeting of security holders: **June 30, 2022 at 2:00 p.m. By video conference/remote communication.**

8. Approximate date on which the Information Statement is first to be sent or given to security holders **June 9, 2022**

9. Securities Registered pursuant to Section 4 and 8 of the RSA (information on numberof 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)

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

Yes __**X**__ No ____

SOLID GROUP, INC.

INFORMATION STATEMENT

A. GENERAL INFORMATION

Date, Time and Place of Meeting of Security Holders:

The Annual Stockholders' Meeting of Solid Group, Inc. will be held on **June 30, 2022** at 2:00 pm by remote communication or *in absentia*. Due to the COVID-19 situation and for the health and safety of the stockholders, the meeting will be conducted virtually and may be accessed through the following link:
https://us06web.zoom.us/j/87972062089?pwd=UHNuK1R4UWdzWHhtbkdyMHVLb3lVUT09
The password to attend the meeting shall be provided by the Company to all stockholders of record as of May 31, 2022 or their proxies who have successfullyregistered to attend the meeting.

Only stockholders of record as of May 31, 2022 or their proxies shall be entitled to attend and vote at the virtual meeting. Stockholders who wish to attend the virtual meeting by remote communication or *in absentia* must email to **info@solidgroup.com.ph** their request to attend not later than the close of business on June 20, 2022.

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

The approximate date when the information statement will be first sent to security holders will be on June 9, 2022**.**

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 Revised Corporation Code of the Philippines 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 ofany class, or of extending or shortening the term of corporate existence (Section 80(a));

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 80(b));

c. In case of merger or consolidation (Section 80(c)); or

d. In case of investments in another corporation, business or purpose (Section80(d)).

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 coversuch 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 electionto office.

The registrant has not been informed in writing by any person that he intends to opposeany 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, 2022.

As of record date May 31, 2022, 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 cumulate their votes. 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 fordirector in accordance with Section 23 of the Revised Corporation Code. Section 23 provides that a stockholder may vote such number of shares registered in his name as ofthe 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, 2022, foreigners collectively own 17,831,599 outstanding common shares which constitutes 0.98% of the total outstanding common shares.

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

(1) Security Ownership of Certain Record and Beneficial Owners

Owners of more than 5% of the Company's voting securities as of May 31, 2022 were as follows.

(1) Title of Class	(2) Name and address of record owner and relationship with issuer	(3)Name of Beneficial Owner and Relationship with Record Owner	(4)Citizenship	(5)No. of Shares Held record (r) or beneficial (b)	(6) % to Total Outstanding
	AA Commercial, Inc. [1] 2285 Pasong Tamo Ext. Makati Affiliate	Vincent S. Lim Treasurer of AA Commercial Inc.	Filipino	583,377,817 (r) [1]	32.03
Common	AV Value Holdings Corporation 1000 J. Bocobo St., Ermita, Manila Affiliate	David S. Lim Director of AV Value Holding Corp.	Filipino	499,999,999 (r) [2]	27.45
Common	PCD Nominee Corporation (F) [2] G/F MSE Bldg., 6767 Ayala Ave., Makati Stockholder	Various stockholders None	Filipino	339,810,524 (r) [3]	18.66

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

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

3: There is no participant lodged under PCD Nominee Corporation that owns more than 5% of the voting securities of the Company.

(2) Security Ownership of Management

The following directors and officers own shares in the Company as of May 31, 2022.

(1) Title of Class	(2) Name of Beneficial Owner	(3) Amount and Nature of Beneficial Ownership	(4) Citizenship	(5) % to Total Outstanding
Common	Susan L. Tan	78,645 (direct)	Filipino	-
Common	Jonathan Joseph C. C. Lim	11,000,000 (direct)	Filipino	0.60
Common	Vincent S. Lim	71,887,187 (direct) 583,377,817 (indirect) [1] 5,996,000 (indirect) [3]	Filipino	3.95 32.03 0.33
Common	Jason S. Lim	65,176,160 (direct)	Filipino	3.58
Common	Kevin Michael L. Tan	11,000,000 (direct)	Filipino	0.60
Common	Rafael F. Simpao Jr.	1,000 (direct)	Filipino	-
Common	Siegfred B. Mison	1,000 (direct)	Filipino	-
Common	Elena S. Lim	1,894 (direct)	Filipino	-
Common	Joseph Lim	2 (direct)	Filipino	-
Common	Beda T. Manalac	1,001 (direct)	Filipino	-
Common	David S. Lim	79,488,591 (direct) 5,000,000 (indirect)[3] 499,999,999 (indirect) [2]	Filipino	4.36 0.27 27.45
Common	Roberto V. San Jose	242,000 (direct)	Filipino	0.01
Common	Ana Maria Katigbak-Lim	-	Filipino	-
Common	Lita L. Joaquin	7,030,000 (direct)	Filipino	0.39
Common	Mellina T. Corpuz	-	Filipino	-
Common	Christopher James L. Tan	18,462,000(direct)	Filipino	1.01
Common	Josephine T. Santiago	7,000 (direct)	Filipino	-
Common	Ericson B. Salvador	-	Filipino	-
Common	Annabella S. Orbe	-	Filipino	-

The aggregate amount of ownership of all directors and officers as a group unnamed is 1,358,750,296 shares or 74.59% of the total outstanding shares.

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

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

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

(3) Voting Trust Holders of 5% or More

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

(4) Changes in Control

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

Directors and Executive Officers

A. Directors, Executive Officers, Promoters and Control Persons

(1) Directors, including Independent Directors and Executive Officers

There are nine (9) seats in the Board. The term of office of each member is one (1) year. The names, ages and citizenship of current directors and executive officers are as follows:

Position	Name	Age	Citizenship
Chairman Emeritus	Elena S. Lim	91	Filipino
Co-Chairman Emeritus	Joseph Lim	94	Filipino
Chairman of the Board	Jason S. Lim	64	Filipino
Director, President and Chief Executive Officer	Susan L. Tan	67	Filipino
Director, Executive Vice President & Chief Strategy Officer	David S. Lim	65	Filipino
Director, SVP and Chief Financial Officer and Chief Risk Officer	Vincent S. Lim	63	Filipino
Independent Director	Rafael F. Simpao Jr.	78	Filipino
Independent Director	Siegfred B. Mison	56	Filipino
Director and SVP for Business Development and Distribution Business	Beda T. Manalac	60	Filipino
Director and VP for Property Business and Data	Jonathan Joseph C.C.	36	Filipino

Protection Officer	Lim		
Position	Name	Age	Citizenship
Director and VP for Digital Mobile Business	Kevin Michael L. Tan	39	Filipino
VP for New Investments	Christopher James L. Tan	38	Filipino
SVP and Treasurer	Lita Joaquin	62	Filipino
Corporate Secretary	Roberto V. San Jose	79	Filipino
Assistant Corporate Secretary	Ana Maria Katigbak-Lim	53	Filipino
SVP and Chief Accounting Officer	Mellina T. Corpuz	55	Filipino
VP and Chief Information Officer	Josephine T. Santiago	54	Filipino
VP and Chief Audit Executive	Ericson B. Salvador	50	Filipino
Asst. Vice President	Annabella S. Orbe	59	Filipino

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

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

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

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

Mr. David S. Lim is Director and Executive Vice President and Chief Strategy Officer in September 2020. He was Senior Vice President from June 2016 to 2020. He was President and Chief Executive Officer in May 2001 to 2016 and was Director from 1996 to 2017. He was Vice-President since 1996 up to April 2001. He is concurrently President of Green Sun Hotel Management, Inc., MySolid Technologies and Digital Devices Corporation, Interstar Holdings Company, Inc., Laguna International Industrial Park, Inc., Skyworld Corporation and Starworld Corporation Mr. Lim is the son of Joseph and Elena Lim.

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

Mr. Rafael F Simpao, Jr. is Independent Director in July 2021. He is Senior Advisor to the Board & Executive Committee of Security Bank Corporation in 2019, Chairman of Security Bank Foundation, Inc. since 1997, Chairman of Keyland- Ayala Corporation in 2011, a Trustee of Tany Foundation, Inc. since 2007 and Director of Empire Insurance, Inc. in 2018.

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

Mr. Beda T. Mañalac is Director in June 2010 and Sr. Vice President for Business Development and Distribution Business in September 2020. He was Vice President for Business Development from September 30, 2010 to 2020. He is also President of Solid Manila Corporation effective January 2012. He was Vice President for Business Development of MyPhone mobile phones under MySolid Technologies and Devices Corporation since 2007 to May 31, 2010.

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

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

Mr. Christopher James L. Tan is Vice President for New Investments in September 2020. He is President of Solid Video Corporation since 2018 and its Vice President from 2014 to 2017. He was Business Development Manager of Solid Manila Corporation from 2011 to 2013. He is the son of Susan L. Tan.

Ms. Lita Joaquin is the Treasurer since May 2002 and Senior Vice President in September 2020.
She was Vice President from September 30, 2010 to 2020. She was also director from June 2006 to

August 2007. She was Comptroller in 1996 to April 2002 and Director in May 1997 where she held office up to May 1998. She also became General Manager of Solid Manila Finance Inc. in October 1999. Ms. Joaquin is the niece of Mr. Joseph Lim.

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

Atty. Ana Maria A. Katigbak is the Assistant Corporate Secretary of the Company and has held the office since 1997. She is a partner in Castillo, Laman, Tan, Pantaleon & San Jose Law Offices. She also acts as director of Mabuhay Holdings Corporation, Corporate Secretary of Alsons Consolidated Resources, Inc., Vulcan Industrial and Mining Corporation, IPM Holdings Inc., and Assistant Corporate Secretary of Energy Development Corporation, IRC Properties, Inc., Mabuhay Holdings, Inc., Marcventures Holdings, Inc., Paxys Inc., and Premiere Horizon Alliance Corporation. She is a member of the Integrated Bar of the Philippines.

Mellina T. Corpuz is the Chief Accounting Officer effective June 2006 and Senior Vice President in June 2017. She was Vice President in September 2010. Prior to that, she was the Senior Accounting Manager since 2002 and was the Accounting Manager since 1996.

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

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

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

Nominees for Election

The following have been nominated for election at the Annual Stockholders' Meeting:

Position	Name	Age	Citizenship
Director	Susan L. Tan	67	Filipino
Director	Kevin Michael L. Tan	39	Filipino
Director	Jonathan Joseph CC. Lim	36	Filipino
Director	Jason S. Lim	64	Filipino
Director	Vincent S. Lim	63	Filipino
Independent Director	Rafael F. Simpao Jr.	78	Filipino
Independent Director	Siegfred Mison	56	Filipino
Director	David S. Lim	65	Filipino
Director	Beda T. Mañalac	60	Filipino

Please refer to the previous section for the write-up of the following incumbent directors who have been re-nominated: (a) Susan L. Tan; (b) Jonathan Joseph CC. Lim; (c) Jason S.Lim; (d) Vincent S. Lim; (e) David S. Lim; (f) Beda T. Mañalac; and (g) Kevin Michael L. Tan.

Independent Directors - Nominees

Mr. Rafael F. Simpao, Jr. is an incumbent Independent Director of the Corporation. Please refer to the preceding discussion for the biographical information and background of Mr. Simpao. He has been re-nominated for Independent Director by Mr. Vincent 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. Simpao is not related to any director or officer of the Corporation.

Atty. Siegfred B. Mison is a new nominee for the position of an Independent Director of the Corporation. He has been nominated for Independent Director by Mr. Vincent 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. Atty. Mison is not related to any director or officer of the Corporation.

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

Nomination and Election of Independent Directors

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

1. Siegfred B. Mison (Chairman)
2. Susan L. Tan (Vice Chairman);
3. David S. Lim
4. Beda T. Mañalac
5. Rafael F. Simpao, Jr. (Independent Director)
6. Mellina T. Corpuz (non-voting)

The Nomination Committee pre-screened and accepted the nominations of Mr. Simpao and Atty. Mison as Independent Directors in accordance with the criteria prescribed in SRC Rule 38 and the Company's Code of Corporate Governance. Mr. Simpao was nominated by Mr. Vincent Lim. Atty. Mison was also nominated by Mr. Vincent Lim. Mr Simpao and Mr. Vincent Lim are not related to each other. Atty. Mison and Mr. Vincent Lim 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 Memorandum Circular No. 5-2017, the Company has submitted the Certification of Qualification of the Independent Director by Atty. Siegfred Mison together with the Company's Information Statement (SEC Form 20-IS). The Certification of Qualification of the Independent Director by Mr. Rafael F. Simpao, Jr. will be submitted after his election at the Annual Stockholders' Meeting.

Family Relationships and Related Transactions

Ms. Elena S. Lim is married to Mr. Joseph Lim. Their children, namely, Ms. Susan L. Tan, Mr. David S. Lim, Mr. Jason S. Lim and Vincent S. Lim are all directors and executive officers of the Company. Mr. Jonathan Joseph C.C. Lim, director, is the son of David S. Lim. Kevin Michael L. Tan, director, is the son of Susan L. Tan. Ms. Lita Joaquin, treasurer of the Company, is the niece of Mr. Joseph Lim. Mr. Christopher James L. Tan, VP for New Investments, is son of Susan L. Tan. 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. On March 22, 2022, AA Export and Import Corporation has fully paid the loan. Except for this, none of the directors and officers was involved in the past five years up to April 2022 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

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

Certain Relationships and Related Transactions

D. Certain Relationships and Related Transactions

Solid Video Corporation (SVC) earns commission from sales of Solid Trading Limited (STL), a related party under common ownership, to customers in the Philippines.

In 2021, 2020 and 2019, My Solid Technologies Device Corp. (MySolid) earns commission income from STL based on the amount of sales recognized by STL from the sale of Myphone products.

MySolid purchases mobile phones, tablets and accessories from STL. My Solid also made advance payments to STL for purchase of mobile phones.

SVC (in 2021, 2020 and 2019) and Solid Service Electronics Corporation (in 2021 and 2020) purchased electronic devices from Avid Sales Corporation (Avid), a related party under common ownership.

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

Solid Manila Finance Inc. granted unsecured business loan to Avid, a related party under common ownership with the original principal loan amounting to P80.0 million. This business loan bears an annual interest rate of 8.0% in 2021, 2020 and 2019. The loan matured on January 18, 2020 and was renewed on the same date, repayable until January 18, 2025, its maturity date. Interest earned from loans is shown as part of Revenues in the consolidated statement of income.
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Solid Manila Corporation (SMC) and Omni Solid Services Inc. (OSSI) leases out certain land and buildings and office space, respectively to Avid. Also, Zen Tower Corporation (ZTC) leases out its office space to TCL Sun Inc., a related party under common ownership.

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

OSSI provides leasing warehouse and distribution services to Avid.

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

Advances to and from Related Parties

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

SEC has an outstanding receivable from CPD Access Corporation, a related party under common ownership, for returns arising from purchases made in prior years and is presented as part of Advances to Related Parties in the consolidated statements of financial position. In 2021 and 2020, the Group recognized impairment loss on advances amounting to P1.0 million and P5.7 million in 2021 and 2020, respectively.

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

Independent director Mrs. Maria Goolsby has resigned on January 26, 2022. Other than her, no other 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

(1) General

The Company's executive officers are regular employees of the Company and its subsidiaries and are similarly remunerated with a compensation package comprising of regular salary, bonuses, thirteenth month pay and leave conversions that the Company extends to its regular employees. Directors who are not executive officers are paid specified amounts per meeting participation.

(2) Summary Compensation Table

The following table summarizes certain information regarding compensation paid or accrued during the last two fiscal years and paid in the ensuing fiscal year to the Company's Chairman and each of the Company's four most highly compensated executive officers.

SUMMARY COMPENSATION TABLE

		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				
Jason S. Lim	Chairman of the Board			
Susan L. Tan	Director, President and Chief Executive Officer			
David S. Lim	Director, Senior Vice President			
Vincent S. Lim	Director, Senior VP and Chief Financial Officer			
Lita L. Joaquin	Senior VP and Treasurer			
	2022 (Est.)	20,000,000	4,000,000	1,700,000
	2021	18,456,000	3,080,254	1,522,393
	2020	18,452,166	3,257,172	1,328,560

All officers and directors as a group unnamed	2022 (Est.)	15,000,000	2,200,000
	2021	13,463,621	2,096,097
	2020	13,616,709	1,624,126

(3) Compensation of Directors

Please see executive and directors' compensation.

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Matters of compensation of directors and executive officers are reviewed by the Company's Corporate Governance, Compensation & Nomination Committee. The members of the Corporate Governance, Compensation & Nomination Committee are thefollowing:

1. Siegfred B. Mison (Chairman)
2. Susan L. Tan (Vice Chairman)
3. David S. Lim
4. Beda T. Mañalac
5. Rafael F. Simpao, Jr. (Independent Director)
6. Mellina T. Corpuz (non-voting)

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

Not applicable. There are no employment contracts between the registrant and executive officers/ directors nor any compensatory plan or arrangement, including payments to be received from the registrant, if such plan or arrangement results or will result from resignation, retirement or any other termination of such executive officer or director's employment with the registrant and its subsidiaries or from change-in-control of the registrant or a change in the executive officer or directors' responsibilities following a change-in-control.

(5) Warrants and Options Outstanding: Repricing

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

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 2020. 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 2021 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 2018, the new audit partner-in- charge is Mr. Nelson J. Dinio. A two-year cooling off period shall be observed in the re- engagement of the same signing partner or individual after the expiration of the 5-year term. For Fiscal Year 2021 the recommended partner-in-charge is still Mr. Nelson J. Dinio.

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

Chairman:	Mr. Rafael F. Simpao, Jr.
Vice Chairman:	Vincent S. Lim
Members:	Susan L. Tan
	Jonathan Joseph C.C. Lim
	Siegfred B. Mison (Independent Director)
	Christopher James L. Tan (Management Representative)

Audited Financial Statements

Please refer to the Management Report for a copy of the Company's audited financial statements for the year ended December 31, 2021.

Interim Financial Statements

Please refer to the Management Report for a copy of the Company's SEC Form 17-Q for the first quarter of 2022 ended March 31, 2022. The Company's SEC Form 17-Q contains the Company's financial statements for the first quarter of 2021 ended March 31, 2022.

D. OTHER MATTERS

Action with Respect to Reports:

The 2021 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 July 29, 2021constitutes 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 management report and audited financial statements; (iii) ratification of management's acts; (iv) 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 alreadybeen approved.

Please refer to **Exhibit 2** for the list of Acts for Ratification.

Voting Procedure:

Stockholders as of record date on May 31, 2022 who successfully register for the meeting have the opportunity to cast their votes by the submission of proxies not later than June 20, 2022. Every stockholder shall be entitled to one vote for each share of stock standing in his/her name in the books of the Company.

For items other than the election of directors, the stockholders have the option to either vote in favor of or against a matter for approval, or to abstain.

For the election of directors, the stockholders have the option to vote their shares for each of the nominees, not vote for any nominee, or cumulate their votes by voting for one or some nominees only, in such number of shares as the stockholders prefer; provided that the total number of votes cast did not exceed the number of shares owned by them multiplied by the number of directors to be elected.

Votes received by proxy forms will be validated by Stock Transfer and Services, Inc., the Company's Stock and Transfer Agent. The results of the voting, with full details of the affirmative and negative votes, as well as abstentions, will be reflected in the minutes of this meeting.

For all items in the agenda to be approved other than the election of directors, the vote of the stockholders representing at least a majority of the outstanding capital stock will be sufficient to approve the matter.

For the election of directors, the nine (9) nominees receiving the highest number of votes will be declared the duly elected members of the Board of Directors for the current term.

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. Mellina T. 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 June 6, 2022.

Solid Group Inc.

By:

akatigbak

Ana Maria A. Katigbak
Asst. Corporate Secretary

SECRETARY'S CERTIFICATE

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

1. That I am the duly elected Asst. Corporate Secretary of **SOLID GROUP, INC.** (the "Corporation"), a corporation duly organized and existing under the laws of the Philippines, with principal office at 2285 Don Chino Roces Avenue Extension, 1231 Makati City;

2. At the regular meeting of the Board of Directors of the Corporation held on March 31, 2022, the following resolution was unanimously approved, a legal quorum being present and voting:

I

"**RESOLVED**, that the Board of Directors of SOLID GROUP INC. (the 'Corporation') authorizes, as it hereby authorizes, the holding of the Corporation's Annual Stockholders' Meeting, by remote communication or *in absentia* on June 30, 2022 at 2pm with the Record Date on May 31, 2022."

RESOLVED FURTHER, that the President of the Corporation be, as he is hereby, authorized to postpone and reset the date of the Annual Stockholders' Meeting and the record date."

II

"**RESOLVED**, that the stockholders of the Company be, as they are hereby, authorized to cast their votes by remote communication or *in absentia*, in accordance with the mechanisms and procedures to be issued by the Corporate Secretary;

RESOLVED FURTHER, that management and the proper officers of the Corporation be, as they are hereby, authorized to perform all acts, and to sign, execute, file and deliver any and all documents which may be required by the Securities and Exchange Commission in relation to the annual stockholders' meeting."

IN WITNESS WHEREOF, I have hereunto set my signature this MAY 2 3 2022 at Makati City, Metro Manila.

ANA MARIA A. KATIGBAK
Asst. Corporate Secretary

SUBSCRIBED AND SWORN to before me this MAY 2 3 2022 at Makati City by affiant whose identity I have confirmed through her Passport No. P7145377B issued on July 7, 2021 in Manila, bearing the affiant's photograph and signature.

Doc. No. 296;
Page No. 61;
Book No. XI;
Series of 2022.

PORTIA JESSICA J. MACLAN
NOTARY PUBLIC
ROLL NO. 73308
MAKATI CITY, PHILIPPINES

PORTIA JESSICA J. MACLAN
Appointment No. M-54
Notary Public for Makati City
Extended until June 30, 2022
B.M. No. 3795
Castillo Laman Tan Pantaleon
& San Jose Law Firm
The Valero Tower, 122 Valero Street
Salcedo Village, Makati City
PTR No. 8853447; 01-03-2022; Makati City
IBP No. 174017; 01-03-2022; Makati Chapter
Roll No. 73308

SECRETARY'S CERTIFICATE

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

1. That I am the duly elected Asst. Corporate Secretary of **SOLID GROUP, INC.** (the "Corporation"), a corporation duly organized and existing under the laws of the Philippines, with principal office at 2285 Don Chino Roces Avenue Extension, 1231 Makati City;

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, I have hereunto affixed my signature this MAY 2 3 2022 at Makati City, Metro Manila.

ANA MARIA A. KATIGBAK
Assistant Corporate Secretary

SUBSCRIBED AND SWORN TO BEFORE ME, a Notary Public for and in the City of Makati, Philippines, this MAY 2 3 2022, by the affiant, whose identity I have confirmed through her Passport No. P7145377B, issued on July 7, 2021 at DFA-Manila bearing the affiant's photograph and signature.

Doc. No. 297;
Page No. 61;
Book No. XI;
Series of 2022.

PORTIA JESSICA J. MACLAN NOTARY PUBLIC ROLL NO. 73308 MAKATI CITY, PHILIPPINES

PORTIA JESSICA J. MACLAN
Appointment No. M-54
Notary Public for Makati City
Extended until June 30, 2022
B.M. No. 3795
Castillo Laman Tan Pantaleon
& San Jose Law Firm
The Valero Tower, 122 Valero Street
Salcedo Village, Makati City
PTR No. 8853447; 01-03-2022; Makati City
IBP No. 174017; 01-03-2022; Makati Chapter
Roll No. 73308

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **Rafael F. Simpao, Jr.**, Filipino, of legal age and a resident of 384 San Bartolome St., Ayala Alabang Village, Muntinlupa City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of **Solid Group Inc.** and have been its independent director since July 2021.

2. I am affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
Security Bank Corporation	Senior Advisor to the Board & Executive Committee	2019 – present
Security Bank Foundation, Inc.	Chairman	1997 – present
Keyland -Ayala Corporation	Chairman	2011 – present
Tany Foundation, Inc.	Trustee	2007 – present
Empire Insurance, Inc.	Independent Director	October 2018 – present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Solid Group Inc. as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. I am not related to any director/officer/substantial shareholder of Solid Group Inc. and its subsidiaries and affiliates as provided under Rule 38.2.3 of the Securities Regulation Code.

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. To the best of my knowledge, I am neither an officer nor an employee of any government agency or government-owned and controlled corporation.

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

8. I shall inform the Corporate Secretary of Solid Group Inc. of any changes in the abovementioned information within five (5) days from its occurrence.

Done this 27 MAY 2022 2022 at Makati City.

Rafael F. Simpao, Jr.
Independent Director

SUBSCRIBED AND SWORN to before me this 27 MAY 2022 2022 at Makati City, affiant personally appeared before me and exhibited to me his Driver's License No. N11-70-014425 valid until January 1, 2023.

Doc. No. 411 :
Page No. 84 :
Book No. 217 :
Series of 2022

ATTY. RAYMOND A. RAMOS
COMMISSION NO. M-239
NOTARY PUBLIC FOR MAKATI CITY
UNTIL JUNE 30, 2022 PER B.M. NO. 3795
11 KALAYAAN AVENUE EXTENSION,
BARANGAY WEST REMBO, MAKATI CITY
SC Roll No. 62179/04-26-2013
IBP NO. 171365/01-03-2022/Pasig City
PTR NO. MKT 8852502/01-03-2022/Makati City
MCLE Compliance No. VI-0007878/4-06-2018

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **Siegfred Bueno Mison,** Filipino, of legal age and a resident of 73 Times St., West Triangle Quezon City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of **Solid Group Inc.** and have been its independent director since January 2022.

2. I am or was affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
Bethel General Insurance and Surety Corp.	Chairman of the Board	2017- present
AFP Savings and Loan Association, Inc.	Corporate Secretary	May 2021 to May 2022
SM Prime Holdings, Inc.	Senior Vice President for Special Projects	February 10, 2020 – September 16, 2021
Philippine Airlines	Senior Vice President and General Counsel	March 16, 2016 – October 4, 2019
University of the East	Legal Counsel	Dec 2003 – Nov 2004 Jan 2009 -May 2011
Infogix Inc	Contracts Lawyer	November 2006 – December 2008
Malcolm Law	Partner	October 1999 – November 2004

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Solid Group Inc. as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. I am not related to any director/officer/substantial shareholder of Solid Group Inc. and its subsidiaries and affiliates as provided under Rule 38.2.3 of the Securities Regulation Code.

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. To the best of my knowledge, I am neither an officer nor an employee of any government agency or government-owned and controlled corporation.

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

3. I shall inform the Corporate Secretary of Solid Group Inc. of any changes in the abovementioned information within five (5) days from its occurrence.

Done this 27 MAY 2022 2022 at Makati City.

Siegfred Bueno Mison
Independent Director

SUBSCRIBED AND SWORN to before me this 27 MAY 2022 at Makati City, affiant personally appeared before me and exhibited to me his Tax Identification No. 137-378-694.

Doc. No. 412 ;
Page No. 84 ;
Book No. 217 ;
Series of 2022

ATTY. RAYMOND A. RAMOS
COMMISSION NO. M-239
NOTARY PUBLIC FOR MAKATI CITY
UNTIL JUNE 30, 2022 PER B.M. NO. 3795
11 KALAYAAN AVENUE EXTENSION,
BARANGAY WEST REMBO, MAKATI CITY
SC Roll No. 62179/04-26-2013
IBP NO. 171365/01-03-2022/Pasig City
PTR NO. MKT 8852502/01-03-2022/Makati City
MCLE Compliance No. VI-0007878/4-06-2018

Exhibit 2

Summary of Acts for Ratification

The acts for ratification from the date of the last stockholders' meeting include the following:

- Election of directors and appointment/promotion of corporate officers.
- Reorganization of the Board Committees (Audit Committee, Corporate Governance & Nominations Committee, Compensation or Remuneration Committee, Risk Management Committee).
- Presentation and approval of the quarterly financial reports.
- Presentation and approval of the audited financial statements.
- Proposal to increase investments of Solid Group, Inc. in subsidiaries Kita Corporation, My Solid Technologies & Devices Corporation, Zen Towers and Brilliant Reach by the conversion of debt to equity.
- Approval of the 2021 Integrated Annual Corporate Governance Report.

Exhibit 3

Disclosure Requirements under
Section 49 of the Revised Corporation Code

a. **A description of the voting and vote tabulation procedures used in the previous meeting.**

See attached Minutes of the Annual Stockholders' Meeting held on July 29, 2021

b**. A description of the opportunity given to stockholders or members to ask questions and a record of the questions asked and answers given;**

See attached Minutes of the Annual Stockholders' Meeting held on July 29, 2021

c. The matters discussed and resolutions reached

See attached Minutes of the Annual Stockholders' Meeting held on July 29, 2021

d. A record of the voting results for each agenda item

See attached Minutes of the Annual Stockholders' Meeting held on July 29, 2021

e. A list of the directors or trustees, officers and stockholders or members who attended the meeting

Founding Chairman	- Joseph Lim
Chairman Emeritus	- Elena S. Lim
Chairman	- Jason S. Lim
President and CEO	- Susan L. Tan
Director /Senior Vice Pres./ Chief Finance Officer; and Chairman of Risk Management and Related Party Transaction Committee	- Vincent S. Lim
Director/Vice Pres. for Business Development and Investor Relations	- Beda T. Manalac
Director	- Jonathan Joseph CC. Lim
Director	- Kevin Michael Tan
Independent Director and Chairman of the Corporate Governance, Compensation & Nomination Committee	- Maria Goolsby
Independent Director and Chairman of the Audit Committee	- Quintin Chua
Corporate Secretary	- Roberto V. San Jose
Asst. Corporate Secretary	- Ana Maria A. Katigbak
Vice Pres. & Treasurer	- Lita L. Joaquin
Senior Vice Pres. & Chief Accounting Officer	- Mellina T. Corpuz

Chief Information Officer - Josephine T. Santiago
Chief Audit Executive -Ericson B. Salvador

f. Material information on the current stockholders and their voting rights

As of record date May 31, 2022, 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 cumulate their votes. There is no classification of voting securities. (See page 2 of the Definitive Information Statement)

g. Appraisals and performance report for the Board and the criteria and procedure for assessment

Copied below is the Board Self-Assessment portion of the 2020 I-ACGR wherein the Board of Directors conducted an annual self-assessment of its performance as a whole. As part of the appraisal review, the Board accomplished the self-assessment questionnaire of responsibilities, duties and function in the Amended Manual of Corporate Governance as either complied or not complied.

SOLID GROUP INC.
Board Self-Assessment

Period Covered: June 2021-May 2022

	Complied	Not Complied
The Board's Governance Responsibilities		
1. The company should be headed by a competent, working board to foster the long-term success of the corporation, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the long-term best interests of its shareholders and other stakeholders.	✓	
2. The fiduciary roles, responsibilities and accountabilities of the Board as provided under the law, the company's articles and by-laws, and other legal pronouncements and guidelines should be clearly made known to all directors as well as to stockholders and other stakeholders.	✓	
3. Board committees should be set up to the extent possible to support the effective performance of the Board's functions, particularly with respect to audit, risk management, related party transactions, and other key corporate governance concerns, such as nomination and remuneration. The composition, functions and responsibilities of all committees established should be contained in a publicly-available Committee Charter.	✓	

4. To show full commitment to the company, the directors should devote the time and attention necessary to properly and effectively perform their duties and responsibilities, including sufficient time to be familiar with the corporation’s business.	✓	
5. The Board should endeavor to exercise objective and independent judgment on all corporate affairs.	✓	
6. The best measure of the Board’s effectiveness is through an assessment process. The Board should regularly carry out evaluations to appraise its performance as a body, and assess whether it possesses the right mix of backgrounds and competencies.	✓	
7. Members of the Board are duty-bound to apply high ethical standards, taking into account the interests of all stakeholders.	✓	
Disclosure and Transparency		
8. The company should establish corporate disclosure policies and procedures that are practical and in accordance with best practices and regulatory expectations.	✓	

9. The company should establish standards for the appropriate selection of an external auditor, and exercise oversight of the same to strengthen the external auditor's independence and enhance audit quality.	✓	
10. The company should ensure that material and reportable non-financial sustainability issues are disclosed.	✓	
11. The company should maintain a comprehensive and cost-efficient communication channel for disseminating relevant information. This channel is crucial for informed decision making by investors, stakeholders and other interested users.	✓	
Internal Control System and Risk Management Framework		
12. To ensure the integrity, transparency and proper governance in the conduct of its affairs, the company should have a strong and effective internal control system and enterprise risk management framework.	✓	
Cultivating a Synergic Relationship with Shareholders		
13. The company should treat all shareholders fairly and equitably, and also recognize, protect and facilitate the exercise of their rights.	✓	
Duties to Stakeholders		
14. The rights of stakeholders established by law, by contractual relations and through voluntary commitments must be respected. Where stakeholders' rights and/or interests are at stake, stakeholders should have the opportunity to obtain prompt effective redress for the violation of their rights.	✓	
15. A mechanism for employee participation should be developed to create a symbiotic environment, realize the company's goals and participate in its corporate governance processes.	✓	
16. The company should be socially responsible in all its dealings with the communities where it operates. It should ensure that its interactions serve its environment and stakeholders in a positive and progressive manner that is fully supportive of its comprehensive and balanced development.	✓	

h. Directors disclosures on self-dealing and related party transactions.

Directors' disclosures on self-dealings are disclosed to the SEC by submission of the SEC Form 23-A or Initial Statement of Beneficial Ownership of Securities and SEC Form 23-B or Statement of Changes in Beneficial Ownership of Securities. As of June 30, 2021, the beneficial ownership of directors were included in the security ownership of management section of the Definitive Information statement.

Related party transactions can be found in the certain relationships and related transactions section of the Definitive Information Statement and Note 25 of the Audited Consolidated Financial Statements.

DRAFT MINUTES OF THE
2021 ANNUAL STOCKHOLDERS' MEETING
OF SOLID GROUP INC.

MINUTES OF THE ANNUAL MEETING OF THE STOCKHOLDERS OF SOLID GROUP INC.

Held on July 29, 2021 at 2:00 P.M. at Makati City
By remote communication[1]

The 2021 Annual Stockholders' Meeting of Solid Group Inc. ("**SGI**" or the "**Company**") was conducted by remote communication or *in absentia* via Zoom at:

https://zoom.us/j/98568264710?pwd=VG5MN3FFbzZJclY2a210RWp2M05DQT09

Prior to the start of the meeting proper, a video of the Philippine National Anthem was shown and the invocation was led by the host, Mr. Beda T. Manalac. Mr. Manalac then announced that the meeting would be recorded in accordance with Securities and Exchange Commission ("SEC") Memorandum Circular No. 6, Series of 2020.

CALL TO ORDER

The Chairman and Chief Executive Officer, Mr. Jason S. Lim, presiding from Makati City, called the meeting to order. He announced that in order to ensure everyone's safety during the COVID-19 pandemic, the Annual Stockholders' Meeting was being conducted via remote communication and thanked all those joining the live webcast and participated in the meeting by remote communication, by voting through their proxies or appointed the Chairman or the President as proxy.

[1] https://zoom.us/j/98568264710?pwd=VG5MN3FFbzZJclY2a210RWp2M05DQT09

The Chairman acknowledged the presence of the following members of the Board of Directors and Management at the meeting:

Chairman	- Jason S. Lim
President and CEO	- Susan L. Tan
Director/Exec. Vice Pres. and Chief Strategy Officer	- David S. Lim
Director /Senior Vice Pres./ Chief Finance Officer and Chief Risk Officer/ Chairman of Risk Management and Related Party Transactions Committee	- Vincent S. Lim
Director/Senior Vice Pres. for Business Development and Investor Relations	- Beda T. Manalac
Director/Vice Pres. for Property Business and Data Privacy Officer	- Jonathan Joseph CC.Lim
Director/Vice Pres. for Digital Mobile Business	- Kevin Michael Tan
Independent Director and Chairman of the Corporate Governance, Compensation & Nomination Committee	- Maria Goolsby
Independent Director and Chairman of the Audit Committee	- Quintin Chua
Corporate Secretary	- Roberto V. San Jose
Asst. Corporate Secretary	- Ana Maria A. Katigbak

Senior Vice Pres. & Treasurer	- Lita L. Joaquin
Senior Vice Pres. & Chief Accounting Officer	- Mellina T. Corpuz
Vice Pres. for New Investments	- Christopher James L. Tan
Asst. Vice Pres./ Chief Information Officer	- Josephine T. Santiago
Asst. Vice Pres./ Chief Audit Executive	-Ericson B. Salvador

Before proceeding, the Chairman acknowledged the Company's deepest appreciation for the many contributions imparted and invaluable guidance of its Founders and Chair Emeritus, Mr. Joseph Lim and Mrs. Elena S. Lim.

PROOF OF NOTICE AND CERTIFICATION OF QUORUM

With the permission of the Corporate Secretary, Atty. Roberto V. San Jose, the Assistant Corporate Secretary, Ana Maria A. Katigbak, reported that pursuant to SEC Notice dated March 16, 2021, the notice (or "**Notice**") of the meeting was published in print and online format in the business section of the Manila Times and the Business Mirror, both newspapers of general circulation, for 2 consecutive days at least 21 days before the meeting. A copy of the Notice, together with the Definitive Information Statement, minutes of the previous meeting, and other documents related to this meeting were also made accessible through the Company's website.

Qualified stockholders who successfully registered within the prescribed period were included in the determination of quorum. By voting through proxies or by participating remotely in the meeting, a stockholder was deemed present for purposes of determining quorum.

Based on this, the Corporate Secretary certified that there were present at the meeting stockholders owning at least **1,369,353,296** shares representing at least **75.18%** of the outstanding capital stock of thee Company. Therefore, a quorum existed for the transaction of business.

The Chairman stated that although the Company was holding the meeting virtually, it had taken steps to ensure that the stockholders would have an opportunity to participate in the meeting to the same extent as possible as they would have had the meeting been done in person. The Assistant Corporate Secretary explained the participation and voting procedures adopted for the meeting. She stated that under the Company's By-Laws, every stockholder was entitled to one vote for each share of stock standing in his/her name in the books of the Company. For the election of directors, each stockholder was able to cumulate his/her votes.

Stockholders who successfully registered for the meeting were given the opportunity to cast their votes by voting by proxy until July 19, 2021. There were six (6) items for approval excluding the adjournment, as indicated in the agenda set out in the Notice. The proposed resolutions for each of these items were to be read out and flashed on the screen during the meeting when the proposal to approve the resolution was presented.

For all items in the agenda to be approved in the meeting other than the election of directors, the stockholders had the option to either vote in favor of or against a matter for approval, or to abstain. For the election of directors, the stockholders had the option to vote their shares for each of the nominees, not vote for any nominee, or vote for one or some nominees only, in such number of shares as the stockholders prefer; provided that the total number of votes cast did not exceed the number of shares owned by them multiplied by the number of directors to be elected.

Votes received through proxy forms were validated by Stock Transfer and Services, Inc., the Company's stock and transfer agent. The results of the voting, with full details of the affirmative and negative votes, as well as abstentions, were set out in Annex "A" of these Minutes

For all items in the agenda approved at the meeting other than the election of directors, the vote of the stockholders representing at least a majority of the outstanding capital stock were sufficient to approve the matter. For the election of directors, the nine (9) nominees receiving the highest number of votes were declared the duly elected members of the Board of Directors for the current term.

Finally, the Assistant Corporate Secretary explained that stockholders, once successfully registered, were also given an opportunity to raise questions or express comments limited to the agenda items by submitting the same through email or the Zoom meeting portal. She stated that Management would endeavor to reply to these questions or address these comments at the end of the meeting. Questions not answered would be answered by email.

APPROVAL OF MINUTES OF PREVIOUS ANNUAL STOCKHOLDERS' MEETING

The next item of business was the approval of the minutes of the annual meeting of the stockholders held on September 24, 2020, an electronic copy of which was made available at the Company's website.

The Assistant Corporate Secretary presented Management's proposal to adopt the following resolution approving the minutes of the annual stockholders' meeting held on September 24, 2020:

> "**RESOLVED**, that the minutes of the Annual Stockholders' Meeting of the Corporation held on September 24, 2020 be, as it is hereby, approved."

Thereafter, the Assistant Corporate Secretary announced that stockholders owning at least **1,369,353,296** shares representing at least **75.18%** of the outstanding capital stock voted to approve the resolution while zero shares voted against, and zero shares abstained on the motion. It was noted that the affirmative votes were sufficient to approve the resolution.

MANAGEMENT REPORT AND AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

The next matter on the agenda was the approval of the management report and audited financial statements. The President and Chief Executive Officer, Mrs. Susan L. Tan, reported on the Company's operational highlights and financial results, and the consolidated audited financial statements for the year ended December 31, 2020.

After the report, the Assistant Corporate Secretary presented Management's proposal to adopt the following resolution, approving the annual report of Management as presented by the President and Chief Executive Officer and the consolidated audited financial statements for the year ended December 31, 2020:

> "**RESOLVED**, that the Management Report as presented by the President and the Corporation's audited financial statements for year ended December 31, 2020 be, as they are hereby, approved."

Thereafter, the Assistant Corporate Secretary announced that stockholders owning at least at least **1,369,353,296** shares representing at least **75.18%** of the outstanding capital stock voted to approve the resolution while zero shares voted against and and zero shares abstained on the motion. It was noted that the affirmative votes were sufficient to approve the resolution.

RATIFICATION OF PREVIOUS CORPORATE ACTS

The next item was the ratification and approval of corporate acts. The Chairman stated that a summary of the acts of the Board and Management for ratification was included in the Definitive Information Statement and were flashed on the screen. He read out the acts for ratification from the date of the last stockholders' meeting which included the following:

- Election of corporate officers.
- Reorganization of the Board Committees (Audit Committee, Corporate Governance & Nominations Committee, Compensation or Remuneration Committee, Risk Management and Related Party Transactions Committee).
- Presentation and approval of the quarterly financial reports.
- Presentation and approval of the audited financial statements.
- Approval of Board Charter

- Additional Investment in subsidiaries Solid Manila Corporation, Precos, Solid Video Corporation, Fekon Solid Motorcycle Mfg. Corp, Green Sun Hotel Management, Inc.
- Postponement and resetting of the Annual Stockholders' Meeting.
- Presentation and approval of the 2020 Annual Corporate Governance Report.
- Compliance with SEC requirements on primary and alternate contacts, and the online submission tool.

The Assistant Corporate Secretary presented Management's proposal to adopt the following resolution, ratifying all acts, contracts, resolutions, and deeds authorized and entered into by Management and the Board of Directors from the last annual stockholders' meeting up to the present:

> "**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."

Thereafter, the Assistant Corporate Secretary announced that stockholders owning at least at least **1,369,353,296** shares representing at least **75.18%** of the outstanding capital stock voted to approve the resolution, while zero shares voted against, and zero shares abstained on the motion. It was noted that the affirmative votes were sufficient to approve the resolution.

ELECTION OF DIRECTORS

The next matter on the agenda was the election of the members of the Board of Directors of the Company.

The Assistant Corporate Secretary stated that under the SIXTH Article of the Amended Articles of Incorporation, there were nine (9) seats in the Board of Directors and the Company was required to have at least two (2) independent directors She explained that under the SEC rules, all nominations for director shall be submitted to and evaluated by the Nominations and Compensation Committee, nominations for Independent Directors shall appear in the Final List of Candidates set forth in the Definitive Information Statement or other reports submitted to the Securities and Exchange Commission, and no other nominations shall be entertained from the floor.

The Assistant Corporate Secretary informed the stockholders that the Company received a total of seven (7) nominations for Regular Directors, and two (2) for Independent Directors. She explained that nominees receiving the highest number of votes for the 7 available seats for Regular Director, and for the 2 available seats for Independent Director, would be declared as the duly elected members of the Board of Directors for 2021-2022.

The names of the following nominees for regular and independent directors were announced and it was noted that full details of the background and qualifications of the nominees were disclosed in the Company's Definitive Information Statement:

For Regular Directors:

1. JASON S. LIM
2. SUSAN L. TAN
3. VINCENT S. LIM
4. DAVID S. LIM
5. BEDA T. MAŇALAC
6. JONATHAN JOSEPH C.C. LIM
7. KEVIN MICHAEL L. TAN

For Independent Directors:

8. MARIA GOOLSBY
9. RAFAEL SIMPAO, JR.

At the Chairman's request, the Assistant Corporate Secretary announced that based on the tabulation and validation by the Company's stock and transfer agent, stockholders owning at least at least **1,369,353,296** shares representing at least **75.18%** of the outstanding capital stock, voted to elect all the nine (9) candidates to the Board of Directors. The above nine (9) candidates were therefore declared as the duly elected members of the Board of Directors of the Company for the term 2021-2022 to act as such until their successors were duly elected and qualified.

The Chairman, on behalf of the SGIstockholders and his fellow Board members, expressed their gratitude and deep appreciation to Mr. Quintin Chua, who served as Independent Director of the Company since 2003 and generously provided SGI with his valuable guidance and advice these past years, as well as helping SGI become a more dynamic and better-governed corporation.

The Chairman also welcomed to the Board the new Independent Director, Mr. Rafael Simpao, Jr.

APPOINTMENT OF EXTERNAL AUDITOR

The next item was the appointment of the Company's external auditor. The outgoing Chairman of the Audit Committee, Independent Director Quintin Chua, informed the stockholders that the Audit and Governance Committee reviewed the qualifications and performance of the Company's current external auditor, Punongbayan & Araullo, and endorsed its reappointment for the current year.

The Assistant Corporate Secretary presented Management's proposal to adopt the following resolution for the reappointment of Punongbayan & Araullo as the Company's external auditor for the current year:

> "**RESOLVED**, that the accounting firm of Punongbayan & Araullo be re-appointed external auditors of the Company for the year 2021-2022."

Thereafter, she announced that that stockholders owning at least **1,369,353,296** shares representing at least **75.18%** of the outstanding capital stock, voted to approve the resolution, while zero shares voted against, and zero shares abstained on the motion. It was noted that the affirmative votes were sufficient to approve the resolution.

OTHER MATTERS

The Chairman inquired whether any questions or comments on the agenda were received by email or through the Zoom portal.

The Assistant Corporate Secretary replied that one question was received. A stockholder, Ms. Teresita M. Batoon, inquired into the status of any dividend declaration for the year.

At the Chairman's request, the President replied to the query and stated that while the Company has sufficient retained earnings, it will not be distributing dividends this year 2021 as resources are being allocated for several investments including a major real estate development which Management is currently working on. Management is optimistic that these new projects will create long-term value for the Company.

ADJOURNMENT

There being no other matters on the agenda, the Chairman adjourned the meeting. He advised the stockholders that a copy of the recorded proceedings would be made available to them upon request while the minutes of this meeting would be made available at the Company's website. He then conveyed his wishes for the safety and good health of the stockholders and their families.

ANA MARIA A. KATIGBAK
Assistant Corporate Secretary

ATTESTED BY:

JASON S. LIM
Chairman

SUSAN L. TAN
President and Chief Executive Officer

ANNEX "A"
(VOTING RESULTS)

AGENDA ITEMS	ACTION			
Item 1. Call to Order	No action necessary.			
Item 2. Proof of Notice and Certification of Quorum	No action necessary.			
	FOR	**%**	**AGAINST**	**ABSTAIN**
Item 3. Approval of the Minutes of the Previous Annual Stockholders' Meeting	**1,369,353,296**	**75.18%**		
Item 4. Approval of the Management Report and Audited Financial Statements for the year ended December 31, 2020	**1,369,353,296**	**75.18%**		
Item 5. Ratification of Previous Corporate Acts	**1,369,353,296**	**75.18%**		
Item 6. Election of Directors	Votes per nominee shown below			
For Regular Director:	Votes per nominee shown below			
JASON S. LIM	**1,369,353,296**	**75.18%**		
SUSAN L. TAN	**1,369,353,296**	**75.18%**		
VINCENT S. LIM	**1,369,353,296**	**75.18%**		
DAVID S. LIM	**1,369,353,296**	**75.18%**		
BEDA T. MAŇALAC	**1,369,353,296**	**75.18%**		

JONATHAN JOSEPH C.C. LIM	**1,369,353,296**	**75.18%**		
KEVIN MICHAEL L. TAN	**1,369,353,296**	**75.18%**		
For Independent Director:	Votes per nominee shown below			
RAFAEL SIMPAO, JR.	**1,369,353,296**	**75.18%**		
MARIA G. GOOLSBY	**1,369,353,296**	**75.18%**		
Item 9. Approval of appointment of Punongbayan &Araullo as the Company's external auditor	**1,369,353,296**	**75.18 %**		
Item 10. Adjournment	**1,369,353,296**	**75.18 %**		

* Percentage is based on total outstanding voting shares of SGI at 1,821,542,000 common shares

SOLID GROUP INC.

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

For the 2022 Annual Stockholders' Meeting

A. Audited Financial Statements for Fiscal Year Ended December 31, 2021 and SEC Form 17Q

Please refer to the accompanying audited financial statements for year ended December 31, 2021 and first quarter report on SEC Form 17Q for the quarter ended March 31, 2022 (SEC Form 17Q is attached).

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 July 29, 2021, the Company reappointed Punongbayan and Araullo as its external auditors for the year 2021.

There was no change in our existing auditor for the years 2020 and 2021. 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 have revenues from operations in each of the last two fiscal years.

(2) Management's Discussion and Analysis

Full Fiscal Years

Key Performance Indicators

The following key performance indicators were identified by the Company: revenue growth, asset

turnover, operating expense ratio, earnings before interest, taxes, depreciation and amortization (EBITDA), earnings per share, current ratio and debt to equity ratio.
Revenue growth was determined as follows: revenues for the current year less revenues for last year or change in revenues divided by the revenues of the previous year.

Asset turnover was computed based on the revenues earned during the year divided by the average total assets.

Operating expense ratio was calculated as follows: operating expenses for the period divided by revenues for period.

EBITDA was determined by adding back interest expense, depreciation and amortization charges to income before tax on continuing operations for the year.

Earnings per share was computed based on the net income or loss for the period divided by the weighted average shares outstanding during the year.

Current ratio was computed as follows: total current assets as of end of the year divided by total current liabilities as of end of the year.

Debt to equity ratio was computed by dividing the total liabilities (excluding amounts due to related parties) as of end of the year by the total equity as of end of the year.

Key performance indicators for 2021, 2020 and 2019 are as follows:

	December 31, 2021	December 31, 2020	December 31, 2019
Revenue growth (decline)	34%	(56%)	(30%)
Asset turnover	12%	9%	22%
Operating expense ratio	23%	33%	21%
EBITDA	P842 million	P452.6 million	P622 million
Earnings (loss) / share	0.37	P0.12	P0.12
Current ratio	11.81 : 1	13.10: 1	10.56 : 1
Debt to equity ratio	0.13 : 1	0.13: 1	0.14 : 1

2021
Revenue expanded by 34% in 2021 vs. 56% decrease in 2020 principally due to improved revenues of the distribution, technical support and solutions and property and related segments.

Asset turnover stood at 12% in 2021 compared 9% in 2020 mostly due to better revenues for the year.

Operating expense ratio improved to 23% in 2021 from 33% in 2020 primarily due to higher revenues as mentioned above and reduced operating expenses of the distribution segment.

EBITDA grew to P842 million in 2021 from P452.6 million in 2020. This was mainly driven by improved performance of the technical support and solution, property and related services, investment and other segments despite losses of MySolid of the distribution segment.

Earnings per share rose to P0.37 in 2021 from P0.12 in 2020 mainly from higher net income for the year.

Current ratio was 11.81:1 as of December 31, 2021 and 13.10:1 as of December 31, 2020 primarily due to in higher current liabilities.

Debt to equity ratio stood at 0.13:1 as of December 31, 2021 and 2020. There was no change for the period.

2020

Revenue fell by 56% in 2020 vs. 30% decrease in 2019 principally due to lower revenues of all business segments whose operations were disrupted by COVID-19 pandemic along with the shift in business model of the distribution segment effective in last quarter of 2019.

Asset turnover dropped to 9% in 2020 from 22% in 2019 as a result of lower revenues during the year.

Despite lower operating expenses, operating expense ratio went up to 33% in 2020 from 21% in 2019 principally due to lower revenues mentioned above.

EBITDA declined to P452.6 million in 2020 from P622 million in 2019 mainly a result of the weak revenues mentioned above.

EPS stood at P01.12 for both years. While property & related services and technical support & solutions segments delivered lower results in 2020, EPS remained flat due to lower reported net loss of the distribution segment.

Current ratio improved to 13.10:1 as of December 31, 2020 from 10.56:1 as of December 31, 2019 primarily due to higher working capital from decrease in current liabilities.

Debt to equity ratio stood at 0.13:1 as of December 31, 2020 and 0.14: 1 as of December 31, 2019 from lower liabilities and higher equity.

2019

Revenues posted P2,618 in 2019, lower by 30% from P3,733 million in 2018 principally due to significant revenue decline of the digital mobile segment.

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

Operating expense ratio was 22% in 2019 and to 21% in 2018. There was significant change for this ratio.

EBITDA improved to P622 million in 2019 from P432 million in 2018 mostly driven by higher operating profit of the technical support and solution and property and building services segments.

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

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

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

Results of Operations

2021

Revenue rose by 34% to P1,540 million in 2021 from P1,152 million million in 2020 from improved revenues of the distribution, technical support and solutions and property and related segments as explained below.

Service revenue went up by 18% to P676 million in 2021 from P572 million in 2020 primarily due to better revenues of technical support and solutions segment and hotel operations of property and related segment offset by lower service income of MySolid of the distribution segment. Higher service revenue of technical support and solutions segment was mainly from service integration project, higher demand for logistics services and greater volume of in-warranty repairs. Moreover, service revenue from hotel operation of property and related segment almost doubled from higher occupancy and resumption of operation at Green Sun while there was significant decline of 95% in service income of MySolid as explained below.

Sale of goods grew by 115% to P595 million in 2021 from P276 million in 2020 principally due to higher volume of sales of the distribution and technical support and solutions segments. MySolid Technologies and Devices Corporation (MySolid) of the distribution segment had to take over direct distribution upon the withdrawal of its distributor for a certain area, resulting to higher sales although lower service income. Moreover, the Company registered improved sale of equipment and tablet devices to government units of the technical support and solution segment.

Rental income was at P240.8 million in 2021 and P242.7 million in 2020. There was no material change for this account.

Interest income was down by 56% to P26.9 million in 2021from P60 million in 2020 mostly due to lower interest rates on time deposit placements.

Sale of real estate was P892 thousand from sale of one parking lot in 2021, nil in 2020.

Cost of sales, services, real estate sold and rentals grew to P1,069.8 million in 2021, up 42% from P753 million in 2020 as discussed below.

Cost of services amounted to P508 million in 2021 from P442 million in 2020, higher by 15% mainly in relation to greater service revenue.

Cost of sales surged to P494.5 million in 2021, an increase of 101% from P245 million in 2020 in associated to increase in sales.

Cost of rentals was at P66.5 million and P64.99 million in 2021 and 2020, respectively. There was no material change for this account.

Cost of real estate sold stood at P434 thousand related to cost of parking slot sold in 2021, nil in 2020.

Gross profit grew by 18% to P470 million in 2021 from P399 million in 2020 contributed by higher revenues of the technical support & solutions and property & related services segments. Despite higher revenues posted by MySolid, its combined gross profit on sales and service income declined by 47% from the previous year mostly due to lower specs products as compared to market.

Other operating expenses (income) amounted to P191 million in 2021 from P72.6 million in 2020 as explained below.

General and administrative expenses was recorded at P318 million in 2021from P327 million in 2020 or lower by 3%. There was no material change for this account.

Selling and distribution costs diminished by 18% to P44 million in 2021from P54 million for the same period of 2020 mainly from lower personnel costs, warranty, and warehousing expenses of the distribution segment.

Other operating income – net rose by 79% to P553 million in 2021 from P308 million in 2020 as fair value gains on investment properties reached record numbers of P500 million in 2021 versus P265 million of the previous year,

Operating profit (loss) improved by 103% to P661 million in 2021 from P326 million in 2020, associated with higher other operating income as explained above.

Other income (charges) went up to P94 million in 2021 against P37 million in 2020 mainly from the following:

Finance income grew by 15% to P82 million in 2021 as compared with P71 million of last year mainly from greater cash surrender value on investment in life insurance diminished by weakened interest income during the year.

Finance costs amounted to P2.7 million in 2021 from P41.9 million in 2020 chiefly due to lower foreign currency exchange loss in 2021.

Other gains - net amounted to P14.7 million income in 2021, or higher by 91% compared with P7.4 million of the previous year mainly from gain on reversal of provision and miscellaneous income.

Profit before tax was P755 million in 2021, a 108% improvement from P363 million in 2020 mainly due to other operating income on fair value gains mentioned above.

Tax expense went down to P78 million in 2021 from P140 million in 2020 attributable to decrease in corporate income tax rates to 25% from implementation of CREATE Law. The Company also recognized tax income of P4 million given that the CREATE Law was signed after the end of 2020 reporting period but with retroactive effect to July 1, 2020. The Company determined that this event was a non-adjusting subsequent event in the 2020 financial statements, hence, tax income relative to the retroactive effect was reported in 2021. Further, the recognized net deferred tax assets and net deferred tax liabilities as of January 1, 2021 were remeasured to 25%. This resulted in additional deferred tax income –net amounting to P145 million in 2021.

Net profit soared to P677 million in 2021 against P223 million in 2020 due to the better performance of the technical support and solutions, property and related services and investment and other segments diminished by losses of MySolid of the distribution segment. The recorded profit also included non-recurring gain of P145 million deferred tax income relative to the remeasurement of deferred tax liabilities explained above.

Net profit attributable to equity holders of the parent amounted to P666 million in 2021 against P220 million in 2020 as discussed above.

Net profit attributable to non-controlling interest (NCI) amounted to P11.4 million in 2021 compared with P2.9 million in 2020 chiefly due to minority share on dividends declared by Starworld of the property and related services segment.

Financial Position 2021

Cash and cash equivalents stood at P2,750 million as of December 31, 2021, higher by 199% from P918 million as of December 31, 2020. Cash was primarily provided from operating activities attributable to the decrease in short-term placements offset by higher trade and other receivables.

Short-term placements was lower by 49% to P1,702 million as of December 31, 2021 from P3,326 million as of December 31, 2020 from placements in time deposits with term of 90 days or less classified under cash equivalents above.

Trade and other receivables reached P327 million as of December 31, 2021 against P315 million as of December 31, 2020. There was no material change for this account. Trade customers are generally established and stable companies with reasonable assurance of collectibility of their accounts. Nonetheless, trade accounts are periodically reviewed to assess the possible losses from non-collection and allowance is provided for possible losses on accounts which are considered doubtful of collection.

Advances to related parties amounted to P2.4 million as of December 31, 2021 from P3.4 million as of December 31, 2020 due to impairment provision during the year.

Merchandise inventories and supplies - net amounted to P125 million as of December 31, 2021, a decrease by 37% compared with P198 million as of December 31, 2020 mainly from lower merchandise and finished goods of the distribution segment.

Real estate inventories stood at P438 million as of December 31, 2021 and P437 million as of December 31, 2020. There was no material change for this account.

Other current assets went down by 33% to P237 million as of December 31, 2021 compared with P351 million as of December 31, 2020 mainly due to lower deferred costs and input vat.

Total current assets reached P5,581 million as of December 31, 2021 from P5,550 million as of December 31, 2020 mainly from higher short-term placements offset by lower cash and cash equivalents and other current assets as discussed above.

Non-current trade and other receivables stood at P838.5 million as of December 31, 2021 from P750.9 million as of December 31, 2020 primarily due to higher cash surrender value of investment in life insurance.

Financial assets at fair value through other comprehensive income amounted to P27.4 million as of December 31, 2021 from P24.1 million as of December 31, 2020 attributable to fair value gains on investment in club shares.

Investment in an associate amounted to P76.5 million as of December 31, 2021 from P18.2 million as of December 31, 2020 from additional deposits to the planned increase in authorized capital stock of Fekon Solid Motorcycle Mfg Corp.

Investment in bonds was P20 million as of December 31, 2021 (none in 2020) for investment made during the year.

Property and equipment decreased to P1,626 million as of December 31, 2021 from P1,680 million as of December 31, 2020. There was no material change for this account.

Investment property increased to P4,638 million as of December 31, 2021 from P4,035 as of December 31, 2020 from fair value gains and additions during the year.

Rights-of-use (ROU) assets – net was P5,7 million as of December 31, 2021, lower by 41% from P9.5 million as of December 31, 2020 mostly from depreciation of ROU assets under PFRS 16, Leases.

Post-employment benefit assets was P 132 million as of December 31, 2021 and P138 million as of December 31, 2020 principally due to lower fair value of plan assets from benefits paid during the year.

Deferred tax assets – net stood at P12 million as of December 31, 2021 and P70.8 as of December 31, 2020 mainly due to derecognition of DTA on allowance of impairment of receivables, effect of change in tax rate and reversal of temporary difference of the distribution segment.

Other non-current assets amounted to P26.3 million as of December 31, 2021 from P26.5 million December 31, 2020. There was no material change for this account.

Total non-current assets amounted to P7,403 million as of December 31, 2021 and P6,753 million as of December 31, 2020 as discussed above.

Total assets reached P12,985 million as of December 31, 2021 from P12,304 million as of December 31, 2020 as discussed above.

Trade and other payables rose to P455 million as of December 31, 2021 against P397 million as of December 31, 2020, a 15% increase mainly from higher trade payables.

Customers' deposits went down by 34% to P10.4 million as of December 31, 2021 from P15.7 million as of December 31, 2020 principally due to recognition of sales of the distribution segment once the criteria for revenue recognition was satisfied.

Current lease liabilities fell by 11% to P3.7 million as of December 31, 2021 from P4.15 million as of December 31, 2020 due to payments of lease liabilities.

Advances from related parties was P1.88 million as of December 31, 2021 and December 31, 2020.

Income tax payable amounted to P1.1 million as of December 31,2021 from P4.6 million as of December 31, 2020 mainly from lower income tax rate and payments made during the year.

Total current liabilities increased to P473 million as of December 31, 2021 from P423.6 million as of December 31, 2020 from higher trade and other payables.

Non-current refundable deposits amounted to P26 million as of December 31, 2021 from P28.89 million as of December 31, 2020 mostly due to application of deposits to receivables of the property and related segment.

Non-current lease liabilities was P2.9 million as of December 31, 2021 from P6.4 million as of December 31, 2021 and December 31, 2020 primarily from payments made.

Post-employment benefit obligation was P19.8 million as of December 31, 2021 from P27.6 million as of December 31, 2020 principally from benefits paid and reduction in past service cost of separated employees of the distribution segment.

Deferred tax liabilities-net amounted to P931 million as of December 31, 2021, weaker by 3% from P961 million as of December 31, 2020. There was no material change for this account.

Total non-current liabilities amounted to P 979 million as of December 31, 2021 from P1,024 million as of December 31, 2020 from lower deferred tax liabilities.

Total liabilities amounted to P1,452 million as of December 31, 2021 from P1,447 million as of December 31, 2020.

Capital stock stood at P2,030 million as of December 31, 2021 and December 31, 2020.

Additional paid-in capital remained at P4,641 million as of December 31, 2021 and December 31, 2020.

Treasury shares amounted to P115 million as of December 31, 2021 and December 31, 2020.

Revaluation reserves climbed 360% to P50 million as of December 31, 2021 from P10.9 million as of December 31, 2020 chiefly due to other comprehensive income from gains on currency exchange differences in translating financial statements of foreign operation.

Retained earnings increased to P4,588 million as of December 31, 2021 from P3,922 million as of December 31, 2020 as a result of net profit attributable to parent during the period.

Total equity attributable to Equity holders of Parent amounted to P11,195 million as of December 30, 2021 and P10,490 million as of December 31, 2020.

Non-controlling interests amounted to P338 million as of December 31, 2021 and P366.6 million as of December 31, 2020 from minority interest share for the year.

Total equity amounted to P12,985 million as of December 31, 2021 from P12,303 million as of December 31, 2020.

Results of Operations 2020

Year-on-year revenues declined by 56% amounting to P1,152 million from P2,618 million in 2019 due to lower revenues of all business segments whose operations were disrupted by the COVID-19 pandemic along with the shift in business model of the distribution segment effective in last quarter of 2019. Most of our businesses were affected by pandemic, especially the hotel and events operations of the property and related services segment from booking cancellations and decline of tourist arrivals resulting from travel restrictions. Moreover, the ECQ and MECQ imposed from March 17 to May 31, 2020 in NCR and other regions led to temporary closure of almost all business operations. Starting June 1, 2020, all business segments resumed operation except the hotel and events business of Green Sun under the property & related services segment.

Sale of goods amounted to P276 million in 2020, down by 78% from P1,260 million in 2019 mainly due to lower volume of sales of the distribution and technical support and solutions segments. Alongside the sales decline in 2020 due to the pandemic, MySolid Technologies & Devices Corporation (MySolid), a wholly owned subsidiary of the Company also pursued a business model of earning service income equivalent to percentage of sales of MyPhone products when it assigned the distribution of MyPhone products to its local distributors/importers, resulting to better cashflow albeit reduced topline for the Company.

Service revenue dropped to P572 million in 2020, a decrease of 43% in 2019 from P1,002 million principally due to decline in revenues of the hotel and events operations of the property and related services segment and aftersales service and project integration revenues of the technical support and solutions segment brought about by business suspensions in this pandemic.

Rental income was slightly lower by 3% to P242 million in 2020 from P250 million in 2019 mainly due to decrease in leasable space and discounts granted during ECQ of the property and related services segment.

Interest income fell to P60 million in 2020, down by 37% from P96.7 million in 2019 due to lower interest rates.

Sale of real estate was nil in 2020 compared to P7 million from condominium sale in 2019.

Cost of sales, services, real estate sold and rentals amounted to P753 million in 2020, a 62% drop from P1,997 million in 2019 as discussed below.

Cost of sales was P245 million in 2020 down by 79% from P1,177 million in 2019 in relation to decrease in sales of the distribution segment.

Cost of services amounted to P442 million in 2020 from P717 million in 2019, down by 38 % mostly associated to lower service revenue.

Cost of rentals declined to P64 million in 2020, a decrease of 34% from P97 million for the same period of 2019 principally due to lower depreciation of the property and related services segment.

Cost of real estate sold was nil in 2020 from P3.8 million in 2019 as there was no sale of condominium unit during the year.

Gross profit weakened to P399 million in 2020 from P620.8 million in 2019. The decrease of 36% was mainly due to lower revenues of all business segments as discussed above.

Other operating expenses (income) amounted to P190 million in 2020 from P72.6 million in 2019 as explained below.

General and administrative expenses went down to P327 million in 2020 from P396 million for the same period of 2019. The decline of 14% was mainly due to lower taxes & licenses, personnel cost and utilities and communication.

Selling and distribution costs dropped to P54 million in 2020 from P172 million for the same period of 2019 mainly from lower commission, warranty, retail marketing and delivery expenses brought about by the change in distribution model of the distribution segment.

Other operating income – net decreased by 7% to P308 million in 2020 from P333 million in 2019 principally due to lower fair value gains on investment property and income from utilities charged to tenants of the property and related services segment.

Operating profit was P326 million in 2020 from P384 million for the same period in 2019 mainly associated with lower gross profit mentioned above.

Other income (charges) amounted to P37 million in 2020 against P128 million charges in 2019 mainly from the following:

Finance costs increased to P41.9 million in 2020 from P28 million in 2019 primarily due to higher foreign currency exchange loss.

Finance income was down by 50% to P71 million in 2020 as compared with P143 million in 2019 mainly due to weaker interest income from lower yield of investible funds and lower cash surrender value of investment in life insurance of the investment and other segment

Other gains - net amounted to P7 million income in 2020 compared with P13 million of the previous year mainly from lower net interest income on retirement benefit asset offset by higher gain on sale of property and equipment.

Profit before tax declined to P363 million in 2020, down 29% from P512 million in 2019 as a result of lower operating profit and other income above.

Tax expense stood lower by 51% to P140 million in 2020 from P286 million in 2019 attributable to lower pre-tax income. Moreover, the distribution segment derecognized certain deferred tax assets related to NOLCO and MCIT in 2019, none in 2020.

Net profit reached to P223 million in 2020 against P226 million in 2019. Although the property & related services and technical support & solutions segments posted lower results of operations in 2020, net profit only slightly decreased by 2% due to lower reported net loss of the distribution segment.

Net profit attributable to equity holders of the parent amounted to P220 million in 2020 against P216 million in 2019 as discussed above.

Net profit attributable to non-controlling interest (NCI) amounted to P2.9 million in 2020 compared with P10.2 million in 2019 primarily due to lower net income of Starworld Corporation, a subsidiary

Financial Position 2020

Cash and cash equivalents fell to P918 million as of December 31, 2020 lower by 74% from P3,491 million as of December 31, 2019. Cash was primarily used for operating activities resulting from increase in short-term investments.

Short-term investments rose to P3,326 million as of December 31, 2020, up by 326% from P762 million as of end of the last year mostly from higher placements of time deposits with maturities of more than three months but less than one year.

Trade and other receivables declined by 48% to P315 million as of December 31, 2020 against P611 million as of December 31, 2019 from collection of receivables of the technical support solutions segment. Trade customers are generally established and stable companies with reasonable assurance of collectibility of their accounts. Nonetheless, trade accounts are periodically reviewed to assess the possible losses from non-collection and allowance is provided for possible losses on accounts which are considered doubtful of collection.

Advances to related parties amounted P3.4 million as of December 31, 2020 from P9 million as of December 31, 2019 principally due to impairment provision on advances.

Merchandise inventories and supplies - net amounted to P198 million as of December 31, 2020, compared with P159 million as of December 31, 2019 mainly from stock up of inventory of the distribution and technical support and solutions segments.

Real estate inventories stood at P437 million as of December 31, 2020 from P436 million as of December 31, 2019. There was no material change for this account.

Other current assets amounted to P351 million as of December 31, 2020 compared with P212 million as of December 31, 2019 mainly due to higher deferred costs pending project completion incurred during the year.

Total current assets amounted to P5,550 million as of December 31, 2020 from P5,682 million as of December 31, 2019 primarily from lower cash and cash equivalents and trade and other receivables offset by higher other current assets as discussed above.

Non-current trade and other receivables stood at P750 million as of December 31, 2020 from P751 million as of December 31, 2019. There was no material change for this account.

Financial assets at fair value through other comprehensive income amounted to P24 million as of December 31, 2020 from P26 million as of December 31, 2019 as a result of fair value loss for the year.

Investment in an associate amounted to P18 million as of December 31, 2020 representing deposits for future subscription in the motorcycle venture of the Company.

Property and equipment amounted to P1,680 million as of December 31, 2020 from P1,694 million as of December 31, 2019. There was no material change for this account.

Investment property increased to P4,035 million as of December 31, 2020 from P3,740 as of December 31, 2019. This was mainly from fair value gains on investment property of the property and related services segment.

Rights-of-use (ROU) assets – net stood at P9.5 million as of December 31, 2020 from P14 million as of December 31, 2019 from depreciation of ROU assets under PFRS 16, Leases.

Post-employment benefit assets was P138 million as of December 31, 2020 from P121 million as of December 31, 2019. The increase was contributed by higher fair value of plan assets offset by lower present value of obligation.

Deferred tax assets - net amounted to P70.8 million as of December 31, 2020 and P66 million as of December 31, 2019 primarily due to higher allowance for impairment of receivables and NOLCO.

Other non-current assets amounted to P26 million as of December 31, 2020 and P23 million as of December 31, 2019 mainly from charges related to software development project.

Total non-current assets amounted to P6,753 million as of December 31, 2020 from P6,437 million as of December 31, 2019 as discussed above.

Total assets reached P12,303 million as of December 31, 2020 from P12,120 million as of December 31, 2019 as discussed above.

Trade and other payables amounted to P397 million as of December 31, 2020 against P438 million as of December 31, 2019 mainly due to lower non-trade payable, accrued incentives and output vat.

Customers' deposits amounted to P15.7 million as of December 31, 2020 from P12.7 million as of December 31, 2019 due to additional deposits received during the year.

Current lease liabilities was P4.15 million as of December 31, 2020 from P4.88 million as of December 31, 2019 due to payments during the period.

Advances from related parties stood at P1.88 million as of December 31, 2020 and 2019.

Interest-bearing loans was nil as of December 31, 2020 compared to P67 million as of December 31, 2019 as a result of the full payment of interest-bearing loan of investment and others segment.

Income tax payable fell to P4.6 million as of December 31, 2020 from P11.86 million as of December 31, 2019 mainly due to lower pre-tax income as compared to last year.

Total current liabilities decreased to P423 million as of December 31, 2020 from P538 million as of December 31, 2019 due to lower trade and other payables and full payment of interest-bearing loans.

Non-current refundable deposits amounted to P28.9 million as of December 31, 2020 from P23.5 million as of December 31, 2019 from additional deposits.

Non-current lease liabilities stood P6.37 million as of December 31, 2020 from P10.48 million as of December 31, 2019 due to transfer of the maturing lease within the year to current liability.

Post-employment benefit obligation was P27.6 million as of December 31, 2020 from P33.6 million as of December 31, 2019. The decrease was mainly due to benefits paid during the year and remeasurements from actuarial gains arising from differences in financial assumptions and experience adjustments.

Deferred tax liabilities -net amounted to P961 million as of December 31, 2020 and from P873 million as of December 31, 2019. The increase was principally attributable to fair value gains in 2020.

Total non-current liabilities amounted to P1,023 million as of December 31, 2020 from P941 million as of December 31, 2019 as discussed above.

Total liabilities amounted to P1,447 million as of December 31, 2020 from P1,479 million as of December 31, 2019.

Capital stock stood at P2,030 million as of December 31, 2020 and December 31, 2019.

Additional paid-in capital amounted to P4,641 million as of December 31, 2020 and December 31, 2019.

Treasury shares amounted to P115 million as of December 31, 2020 and December 31, 2019.

Revaluation reserves amounted to P10.9 million as of December 31, 2020 from P18.5 million as of December 31, 2019 due to losses on currency exchange differences in translating financial statements of foreign operation offset by actuarial gains from remeasurements of post-employment defined benefit obligation.

Retained earnings rose to P3,921 million as of December 31, 2020 from P3,701 million as of December 31, 2019 as a result of net profit attributable to parent during the period.

Total equity attributable to Equity holders of Parent amounted to P10,489 million as of December 31, 2020 from P10,277 as of December 31, 2019.

Non-controlling interests amounted to P366 million as of December 31, 2020 from P363 million as of December 31, 2019 primarily due to minority share in net income for the period.

Total equity amounted to P10,856 million as of December 31, 2020 from P10,640 million as of December 31, 2019.

Results of Operations 2019

Revenues posted P2,618 million in 2019, lower by 30% from P3,733 million in 2018 primarily as a result of significant revenue drop of the digital mobile segment.

Sale of goods declined 54% to P1,260 million in 2019 from P2,715 million in 2018. The digital mobile segment sales was greatly affected by the strong presence of global and local mobile phone brands which led to significant reduction in volume. Moreover, MySolid Technologies & Devices Corporation (MySolid), a wholly owned subsidiary of the Company, pursued another distribution model in last quarter of 2019 and earned service income equivalent to percentage of sales of MyPhone products when it assigned the distribution of MyPhone products to its local distributors/importers, subsequently reducing sales thereafter.

Rendering of services improved by 41% to P1,002 million in 2019 against P712 million in 2018 driven by better performance of the technical support and solution segment from stronger logistics and warehouse rental services and participation in integration services for SEA Games 2019.

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

Interest income stood higher at P96.7 million compared with P56 million in 2018 attributable to higher interest rates in the first half of the year and reported higher placements.

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

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

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

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

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

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

Gross profit was brought down to P620.8 million in 2019 from P676.7 million in 2018. As mentioned above, the digital mobile segment faced tough competition from both global and local mobile phone brands and reported weak sales for 2019. It also implemented a series of price reductions to move out slow-moving stocks. As MySolid transitioned to its present distribution model, it also sold its remaining inventories to distributors at reduced prices. On the positive side, the lower gross profit of digital mobile segment was offset by higher margins of the technical support and solution and property and related services segments.

Other operating expenses (income) amounted to P235 million in 2019 compared with P438 million in 2018. The decline was mainly due to lower operating expenses from general and administrative, selling and distribution cost of the digital mobile segment.

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

General and administrative expenses declined to P396 million in 2019, lower by 15% from P466 million in 2018. In 2018, the digital mobile segment incurred loss from unrecoverable advances related to Brown mobile phones (minimal amount in 2019). It also incurred lower taxes and licenses, manpower and outside services during the year in connection to lower sales and shift to new distribution model of the digital mobile segment.

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

Operating profit amounted to P384.9 million in 2019 from P238 million in 2018. The higher operating profit was mainly contributed by lower operating expenses as explained above.

Finance income rose to P143 million in 2019 against P111 million in 2018 primarily due to higher interest income from cash and cash equivalents and short-term placements and interest income from deposits for acquisition of land and higher increase in cash surrender value of life insurance policy.

Finance cost amounted to P28 million in 2019 versus P5.98 million in 2018 mostly as a result of greater foreign currency losses on dollar denominated financial assets.

Other gains-net amounted to P13 million in 2019 compared with P6 million in 2018 mainly due to net interest income on retirement benefit asset.

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

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

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

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

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

Financial Position 2019

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

Short-term investments stood lower by 5% at P762 million as of December 31, 2019 from P806 million as of December 31, 2018 mainly due to greater placements of time deposits with maturities of less than three months reported under cash and cash equivalents.

Trade and other receivables net amounted to P611 million in 2019, down 31% from P891 million in 2018, mainly from collection of receivables of the digital mobile segment. Trade customers are generally established and stable companies with reasonable assurance of collectibility of their accounts. Nonetheless, trade accounts are periodically reviewed to assess the possible losses from non-collection and allowance is provided for possible losses on accounts which are considered doubtful of collection.

Advances to related parties stood at P9 million in 2019 from P9.4 million in 2018 from collection of advances. The was no material change for this account.

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

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

Other current assets stood lower by 15% at P212 million in 2019 versus P250 million in 2018 mainly from lower input taxes.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Treasury shares amounted to P115 million in both years.

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

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

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

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

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

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

Rebounding from a deep contraction of 9.5 percent in 2020, the Philippine economy grew 5.6 percent in 2021. Economic activity ricocheted amid easing restrictions, improving mobility and revival of businesses anchored on rising remittances and improving income as more people regain or find new jobs. Nearly two years after the global health crisis caused by the COVID-19, the availability of vaccines and treatments contributed to regaining consumer confidence that recovery outlooks for the economy are becoming clearer boosting optimism about staging a rapid rebound in 2022.

With the impressive resilience that the Philippine economy has shown, growth momentum has clearly picked up on the back of the government’s vigorous drive to vaccinate Filipinos against the COVID-19 virus. Public spending on infrastructure helped the country further accelerate its recovery while it navigates the challenges of a recuperating economy. The phased economic reopening benefited the services sector especially transportation, domestic tourism, and wholesale and retail trade as well as the real estate industry. Sustained public investment continues to make the country’s business environment favorable to job creation while upskilling the workers gaining new or emerging job opportunities, strengthening domestic dynamism and market confidence. The economists believed that the country's solid macroeconomic fundamentals, characterized by manageable external debt, a healthy public balance sheet, and a huge foreign currency buffer can sufficiently support the country's post-pandemic economic recovery.

As the recovery gains traction with the reopening of the economy, the Company have seen most of its businesses performing better in 2021, the second year into the pandemic, maintaining a successful focus on recurring revenue streams with Property & Related Services and Technical Support & Solutions segments continuing to be the core drivers of the earnings contributing 15% and 43% growth in each segment's revenue, respectively.

Overall, the above accomplishments drove the expansion in consolidated revenues by 34% to P1,540 million in 2021 from P1,152 million in 2020 (from P2,618 million in 2019). Further, the company continued its profitable trends over the past years as it reported net profit of P677.6 million in 2021 achieving almost three times its P223 million profit of the previous year (from P226.6 million in 2019). This was boosted by non-recurring gain of P145.2 million deferred tax income relative to the remeasurement of deferred tax liabilities as a result of Create Law's reduction of corporate income tax with retroactive effect to July 1 of the previous year. Excluding the non-recurring gain of P145.2 million, net profit reached P532 million in 2021 still more than twice its profit of 2020 driven by improved consolidated revenues and strong property values with fair value gains of P500 million in 2021 (P375 million after tax), compared with P265 million in 2020 (P186 million after tax) and P277 million in 2019 (P194 million after tax). This translated to earnings per share of P0.37 in 2021, P0.12 in 2020 and 2019.

The Company's balance sheet is solidly positioned to support its growth plans with its total assets of P12.9 billion in 2021, P12.3 billion in 2020 and P12.1 billion in 2019. It was able to maintain its liquidity achieving a current ratio of 11.81:1 in 2021, 13.10:1 in 2020 and 10.56:1 which always exceeded the conservative rule of thumb of 2:1. It has sustained a low debt to equity ratio of 0.13 in 2021, 0.14 in 2020 and 2019.

Property & Related Services (PRS) continued to be the core driver of the company as its net income climbed 175% to P656 million from P237 million in 2020 (from P313 million in 2019) mainly from combined better revenue from hotel and leasing operations and fair value gains as opportunities abounded with its stabilized performance from the reopening of the economy and people returning to their physical places of work. Leasing operation expects further improvement deals in 2022 as traditional firms continue to drive office and space leasing transactions. This segment targets to contribute in 2022 about P410 million in revenues.

Solid Manila Corporation's financial position remained strong despite a 3% decrease in revenue to P171 million from P178 million in 2020 (from P196 million) as it still extended discounts to affected tenants in 2021 even as it realized a 136% growth in net income of P582 million inclusive of fair value gains and non-recurring gains on deferred tax income from lower tax rate accruing from the Create Law during the year from P247 million in 2020 (from P338 million in 2019). For 2022, its construction projects which were temporarily put on hold during the pandemic are expected to recommence which includes a 5-story hotel in Dagupan and a mixed-use project in Manila, an old house renovation in Cebu and various projects in Cagayan de Oro, San Pablo and Baguio City. It is targeting to contribute in 2022 about P215 million in revenue and P65 million in net income (excluding property fair value gains).

Zen Towers Corporation, the high rise residential and commercial condominium at the heart of Manila recognized revenue of P42 million and profit of P23 million in 2021 from P44 million in revenue and net profit of P28 million in 2020, arising from vacancies on residential units as student tenants did not see the need to renew their lease as schools are still under distant learning as well as additional costs incurred for its increase in capitalization. The 14-storey condominium Tower 3 project intended for commercial and office lease with an estimated cost of P500 million was pushed back anew amidst the uncertainty brought about by the pandemic. It is expected to remain profitable with about P45 million in revenues in 2022 from existing revenue stream.

The gradual reopening of domestic and international tourism sustained the hotel business that helmed the company to a better performance. Green Sun and Casa Bocobo hotels continued to provide safe accommodations to returning and embarking overseas Filipino workers for their mandatory quarantine requirements resulting to improved room occupancy by 41% from 20% on year-on-year basis from bookings of shipping and manning companies. This translated to a combined growth of 95% to P109 million in revenues from P59 million revenue the past year and 244% upturn to P46 million in net income in 2021 from P32 million net loss in 2020. With the tourism scenario looking generally optimistic, it aims to hit P145 million in combined revenues in 2022.

In pursuit for a capital investment that will generate positive economic benefits balanced with good returns, the Company is investing its resources for the development of Calamba property owned by Precos, Inc. through a built to specifications agreement entered into with a logistics company. The estimated cost of the property development is Php2.6 billion and completion is expected by the 4th Quarter of 2023.

MySolid Technologies and Devices Corporation (MySolid) under the distribution segment handling MyPhone business drove up revenue by 57% to P273 million from P173 million in 2020 (and down from P1.09 billion in 2019). The revenue recovery was attained when MySolid had to take over direct distribution upon withdrawal of its distributor for a certain area, reporting higher sales although lower service income. Still, it had to dealt with lower specification product as compared to its competition since its ODM partner cannot deliver current models due to component shortage and huge cost. Consequently, gross profit declined by 47% from the previous year. Furthermore, it underwent corporate restructuring and downsized its operations, resulting to reduced operating expenses as it cut down on costs and retrenched employees in 2021. In spite of this, net loss further increased to P82 million in 2021 including non-cash tax losses of P19.6 million from derecognition of deferred tax assets on allowance for doubtful accounts on receivable against net loss of P78 million in 2020 and P270 million in 2019. Amidst the slowdown of general local handset brands in the maturing telecom market in the Philippines, it downsized and rationalized its business for 2022 to focus on tablet devices for institutional sales and feature phones for select territorial distributors. The Company expects MySolid's revenues to further decline to P205 million or by about 25% with break-even results in 2022.

MyHouse business recorded a 10% decline in revenue to P44 million in 2021 from P48 million in 2020 (and P29 million in 2019) from reduced demand of modular units used as COVID-19 facilities. Accordingly, net profit also decreased to P283 thousand in 2021 from P7 million of the previous year (from P6 million in 2019). Further, internal personnel transfer within the distribution segment resulted to higher general and administrative expenses in MyHouse as part of corporate restructuring of the distribution segment. For 2022, it targets to generate P120 million in revenue with the sourcing and order fulfillment for factory-built steel and concrete (light weight concrete wall panels) already being realized in its ongoing and upcoming projects.

Technical Support and Solutions segment steadily remains to be a top performer year on year on account of its contribution of P843 million in revenues and P89.6 million in net profit, up by 46% and 290% from 2020 revenues and net profit, respectively.

Omni Solid Services Inc. (OSSI) revenue grew 10% to P376 million and 24% to P62 million in net income in 2021 driven by increased activity from clients' higher demands for the distribution of electronic products combined with the improved performance of its integrated services ranging from rental, assembly of television, warehousing and sale of electronic products. It foresees 2022 to be another profitable year projecting P430 million in revenue and P75 million in net profit from improving market situation and increasing economic activity.

Solid Video Corporation has aligned with evolving market opportunities in the middle of pandemic generating revenues of P316 million, significantly higher by 172% from P116 million in prior year and lower from 423 million in 2019. It advanced 232% with net profit of P23 million from net loss of P17 million in 2020 (from net profit of P2.3 million in 2019) from completion of its projects. SVC is targeting P250 million in revenue with its integration services, sale of medical supplies and communication equipment for hospitals and e-learning platforms as it carries out strategies to enhance and grow key accounts.

SolidService Electronics Corporation (SolidService) recorded 25% growth in revenue of P146 million from P117 million in 2020 (from P173 million in 2019) delivered by greater service volume of in-warranty repairs. It gained 149% in net profit of P4.6 million from net loss of P3 million in 2020 and net profit of P2.3 million in 2019 primarily from its main line of business, the consumer electronic products and mobile phone after sales service repairs. Starting May 2022, SolidService is the official after-sales service provider of set-up boxes of GMA. Moreover, it will strengthen its consumer aircon business which it started in year 2019 but was hampered by the pandemic and further venture into installation of industrial-type aircon units. It is estimated to generate revenue of P180 million in 2022 for all its combined services.

Investment and others segment realized P277 million (inclusive of dividends from subsidiaries) in revenue, down by 19% from 2020 revenue of P374 million (from P252 million in 2019) brought about by lower dividends from subsidiaries of P135 million from P200 million in 2020 versus P65 million in 2019. Interest income also declined brought about by lower interest rates despite bigger TD placements. Nonetheless, segment net income slightly improved to P181 million in 2021 from P178 million in 2020 (from P107 million in 2019) from solid returns on investment in life insurance. This segment forecasts about P70 million in net profit for 2022.

With the recent positive trend amidst the pandemic, the Company looks forward to another strong performance in 2022 with its solid foundation, healthy balance sheet, proven strength in operational execution, new sales initiatives, differentiated offerings, and substantial opportunities to solidify growth prospects across all its business segments.

Notwithstanding the challenges the world and the country faces today, the Company remains optimistic of its long-term prospects as it will continue to build and innovate on the strength of its resources to develop value over the long term, remain flexible to adjust to changing circumstances and deliver positive experiences to all its stakeholders.

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 2022 to amount to P1.45 billion for various real estate development, renovation and upgrade of facilities and transportation equipment. The purchase and/or construction of these capital expenditures will be financed primarily through the funds of the Company and partly through loans.

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

The World Health Organization (WHO) declared the coronavirus disease (COVID-19) outbreak a public health emergency of international concern on January 20, 2020 and a pandemic on March 11, 2020. President Duterte declared the country in a state of public health emergency on March 9, 2020 and Metro Manila and entire Luzon area under Enhanced Community Quarantine (ECQ) on March 17, 2020, followed by other cities and provinces. This measure imposed restricted movement and temporary closures of non-essential establishments. The strict quarantine was gradually eased in May 2020 leading to gradual reopening of the economy and businesses. Most of our businesses resumed operation in June 1, 2020 except the hotel and events business of Green Sun under the property & related services segment which recommenced in first quarter 2021. On March 1, 2021, the Philippines started its vaccination roll-out. After a year of vaccinating its population against COVID-19, the Philippines has over 66 million fully vaccinated Filipinos as of April 2022. The Philippines was placed in different levels of lockdown or quarantine restrictions depending on the number of case infections. On March 1, 2022, NCR and most of the country were placed under Alert Level 1, the lowest level of restriction with most business establishments allowed to operate. However, due to the uncertainty of permanent business opening, the Company expects its group-wide revenues, income from continuing operations and financial condition will continue to be negatively impacted by this pandemic.

The sales downtrend experienced by MySolid Technologies & Devices Corporation (MySolid), a wholly owned subsidiary of the Company under the distribution segment, this couple of years was heightened by the pandemic. It pursued a business model of earning service income equivalent to percentage of sales of MyPhone products when it assigned the distribution of MyPhone products to its local distributors/importers in last quarter of 2019. While MySolid sold most of its products in 2020 under this distribution model, it lost a key distributor in first quarter 2020 and another one in first quarter 2021. Moreover, its ODM partners failed to provide the current mobile phone models due to component shortage and huge cost. Amidst the slowdown of general local handset brands in the maturing telecom market in the Philippines, MySolid downsized and rationalized its business for 2022 to focus on tablet devises for institutional sales and feature phones for select territorial distributors. The Company expects MySolid’s revenues to further decline by about 25% with break-even results.

In August 2019, Kita Corporation (Kita), a wholly owned subsidiary of the Company, 25 year- contract of lease with Clark Development Corporation (CDC) covering parcels of land had expired. In 2019, Kita had surrendered the buildings to Clark International Airport Corporation since these locations are part of the site for the second Clark Airport runway. In 2021, the Company decided not to renew the lease contact. Kita is currently securing clearance from CDC. Hence, Kita’s leasing operations declined to its single residential property in Angeles, Pampanga.

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

The coronavirus disease (COVID-19) started to become widespread in the Philippines in early March 2020. The measures undertaken by the government to contain the virus have affected economic conditions and the Company's business operations. While most of the Company's businesses resumed operations on June 1, 2020 except for the hotel and events operations of Green Sun under the property and related services segment which recommenced in 1st quarter 2021, our Company's operating results was greatly affected by the temporary business closures, lockdowns and shifting consumer behavior from travel and mobility restrictions and stay at home orders amidst a decline in consumers' disposable income. Our hotel and events business was significantly affected in 2020 by restrictions on mass gathering and lack of tourist arrivals, which led to retrenchment of our employees.

As explained in Section V. under Known Trends, Events and Uncertainties above, MySolid Technologies & Devices Corporation (MySolid), a wholly owned subsidiary of the Company under the distribution segment also pursued a business model of earning service income equivalent to percentage of sales of MyPhone products when it assigned the distribution of MyPhone products to its local distributors/importers in the last quarter of 2019. The change in distribution model, business interruption from the pandemic and unavailability of current mobile phone models contributed to significant sales decline. Upon withdrawal of its distributor in a certain area, MySolid had to take over direct distribution resulting to improved topline in 2021. It underwent corporate restructuring and downsized its operations, resulting to reduced operating expenses as it cut down on costs and retrenched employees in 2021.

In 2021, the Company derecognized deferred tax assets on allowance for doubtful accounts on receivables amounting to P19.6 million of MySolid which were deemed not recoverable. In 2019, the Company derecognized MySolid's deferred tax assets from prior years and realize tax losses of P96 million in 2019. Moreover, deferred tax assets on NOLCO and MCIT of P78 million for 2019 was no longer recognized.

Given that the CREATE Law which lowered regular corporate income tax (RCIT) was passed after the end of 2020 reporting period and the Company determined that the event was a non-adjusting subsequent event, the Company used the prevailing tax rates as of December 31, 2020 in its 2020 financial statements. Accordingly, its impact was not reflected in the 2020 financial statements and instead taken up in 2021 financial statements. As a result of the application of the lower RCIT rates of 25% and 20% and lower MCIT rate of 1% starting July 1, 2020, the 2020 income tax expense presented in 2020 annual income tax return (ITR) of the Company was lower by P4.2 million than the amount presented in the 2020 financial statements. The retroactive effect was reported as current tax income in 2021 financial statements of P4.2 million. Further, the recognized net deferred tax assets and net deferred tax liabilities as of January 1, 2021 were remeasured to 25% and 20%. This resulted in additional deferred tax income –net amounting to P145.7 million and such was recognized in profit or loss (deferred tax income of P145.2 million) and in other comprehensive income (deferred tax income of P456 thousand).

Based on the appraisal reports obtained in 2021, 2020 and 2019, the Company reported fair value gains on investment property of P500 million, P265 million and P277 million for 2021, 2020, and 2019, respectively.

2021

Balance Sheet Items (2021 vs. 2020)
(Increase or decrease of 5% or more in the financial statements)

Cash and cash equivalents – 199% increase to P2,750 million from P918 million

Primarily provided from operating activities attributable to the decrease in short-term placements offset by higher trade and other receivables. This account stood at 21% and 7% as a percentage of total assets for 2021 and 2020.

Short-term Investments – 49% decrease to P1,702 million from P3,326 million

Chiefly from placements in time deposits with term of 90 days or less classified under cash equivalents above. This account stood at 13% and 27% based on total assets in 2021 and 2020, respectively.

Trade and other receivables – 4% increase to P327 million from P315 million

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

Advances to related parties – 30% decrease to 2.4 million from P3.4 million

Due to impairment provision during the year. This account stood at 0.02% and 0.03% as a percentage of total assets in 2021 and 2020.

Merchandise inventories and supplies – 37% decrease to P125 million from P198 million

Mainly from lower merchandise and finished goods of the distribution segment. This account represented 1% and 2% as a percentage of total assets for years 2021 and 2020, respectively.

Real estate inventories – P437.8 million from P437.1 million

There was no material change for this account. This account stood at 3% and 4% as a percentage of total assets in 2021 and 2020, respectively.

Other current assets –33% decrease to P237 million from P351 million

Mainly due to lower deferred costs and input vat. This account stood at 2% and 3% as a percentage of total assets in 2021 and 2020, respectively.

Non-current trade and other receivables –12% increase to P838.5 million from P750.9 million

Primarily due to higher cash surrender value of investment in life insurance. This account stood at 6% as a percentage of the total assets in both years.

Financial assets at fair value through other comprehensive income – 14% increase to P27.4 million from P24.1 million

Attributable to fair value gains on investment in club shares. This account stood at 0.21 and 0.20% as a percentage of total assets for 2021 and 2020, respectively.

Investment in an associate – 321% increase to P76.5 million from P18.2 million

From additional deposits to the planned increase in authorized capital stock of Fekon Solid Motorcycle Mfg Corp. This stood 1% and 0.15% as of percentage of total assets in 2021 and 2020, respectively.

Investment in bond – P20 million in 2021
From investment made during the year, none in 2020. This represented 0.15% of total assets in

2021.

Property, plant and equipment – 3% decrease to P1,626.5 million from P1,680 million

There was no material change for this account. This represented 13% and 14% as a percentage of total assets in 2021 and 2020, respectively.

Investment property – 15% increase to P4,638 million from P4035 million

Mainly due to fair value gains and additions on investment property of the property and related services segment. This account stood at 36% and 33% as a percentage of total assets in 2021 and 2020, respectively.

Right of Use assets – 41% decrease to P5.7 million from P9.5 million

Resulting from depreciation of ROU assets under PFRS 16, Leases. This account stood at 0.04% and 0.08% as a percentage of total assets in 2021 and 2020, respectively.

Post-employment benefit asset – 5% decrease to P132 million from P138 million

Principally due to lower fair value of plan assets from benefits paid during the year. This represented 1% of total assets in both years.

Deferred tax assets – 83% decrease to P12 million from P70.8 million

Mainly due to derecognition of DTA on allowance of impairment of receivables, effect of change in tax rate and reversal of temporary difference of the distribution segment. This account stood at 0.09% and 1% of total assets in 2021 and 2020, respectively.

Other non-current assets – 1% decrease to P26.3 million from P26.5 million

There was no material change for this account. This represented 0.20% and 0.22%as percentage to total assets in 2021 and 2020, respectively.

Trade and other payables – 15% increase to P455 million from P397 million

Mainly due to higher trade payables. This account stood at 4% and 3% as a percentage of total liabilities and equity in 2021 and 2020, respectively.

Customers' deposits –34% decrease to P10.4 million from P15.7 million

Principally due to recognition of sales of the distribution segment once the criteria for revenue recognition was satisfied. This account represented 0.08% and 0.13% as a percentage of total liabilities and equity in 2021 and 2020, respectively.

Current Lease Liability – 11% decrease to P3.7 million from P4.15 million

Due to payments during the year. This account stood at 0.03% as a percentage of total liabilities and equity for both 2021 and 2020.

Advances from related parties – P1.88 million in 2021 and 2020

No movement for this account. This account stood at 0.01% and 0.02% as a percentage of total liabilities and equity in 2021 and 2020, respectively.

Income tax payable –77% decrease to P1.1 million from P4.6 million

Mainly from lower income tax rate and payments made during the year. This account was pegged at 0.01% and 0.04% of the total liabilities and equity in 2021 and 2020, respectively.

Non-current refundable deposits – 9% decrease to P26 million from P28.9 million

Mostly due to application of deposits to receivables of the property and related segment. This represented 0.2% of the total liabilities and equity in both 2021 and 2020.

Non-Current Lease Liability –55% decrease to P2.9 million from P6.4 million in 2020

Primarily from payments made. This account represented 0.02% and 0.05% as a percentage of total liabilities and equity in 2021 and 2020.

Post-employment benefit obligation – 28% decrease to P19.8 million from P27.6 million

Principally from benefits paid and reduction in past service cost of separated employees of the distribution segment. This account stood at 0.15% and 0.22% of the total liabilities and equity in 2021 and 2020, respectively.

Deferred tax liabilities – 3% decrease to P931 million from P961 million

There was no material change for this account. This account stood at 7% and 8% as a percentage of total liabilities and equity in 2021 and 2020, respectively.

Capital stock – no change

*T*his account stood at 16% and 17% of total liabilities and equity for 2021 and 2020, respectively.

Additional Paid-In-Capital – no change

This account represented 36% and 38% % of total liabilities and equity for 2021 and 2020, respectively.

Treasury Shares – no change

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

Revaluation reserves – 360% increase to P50 million from P10.9 million

Chiefly due to other comprehensive income from gains on currency exchange differences in translating financial statements of foreign operation. It stood at 0.39% and 0.09% of total liabilities and equity in 2021 and 2020.

Retained earnings – 17% increase to P4,588 million from P3,922 million

Resulting from net profit attributable to parent during the period. This account stood at 35% and 32% of total liabilities and equity in 2021 and 2020, respectively.

<u>Income Statement Items (2021 vs. 2020)</u>
(Increase or decrease of 5% or more in the financial statements)

Service revenue – 18% increase to 676 million from P572 million

Primarily due to better revenues of technical support and solutions segment and hotel operations of property and related segment offset by lower service income of MySolid of the distribution segment. Higher service revenue of technical support and solutions segment was mainly from service integration project, higher demand for logistics services and greater volume of in-warranty repairs. Moreover, service revenue from hotel operation of property and related segment almost doubled from higher occupancy and resumption of operation at Green Sun while there was significant decline of 95% in service income of MySolid as explained below. As a percentage of total revenues, this account represented 44% and 50% in 2021 and 2020, respectively.

Sale of goods – 115% increase to P595 million from P276 million

Mostly due to better revenues of technical support and solutions segment and hotel operations of property and related segment offset by lower service income of MySolid of the distribution segment. Higher service revenue of technical support and solutions segment was mainly from service integration project, higher demand for logistics services and greater volume of in-warranty repairs. Moreover, service revenue from hotel operation of property and related segment almost doubled from higher occupancy and resumption of operation at Green Sun while there was significant decline of 95% in service income of MySolid as explained below. As a percentage of total revenues, this account represented 39% and 24% in 2021 and 2020, respectively.

Rental income – 1% decrease to P240.8 million fromP242 million

There was no material change for this account. As a percentage of total revenues, this account represented 16% and 21% and for years 2021 and 2020, respectively.

Interest income – 56% decrease to P26.9 million from P60 million

Mostly due to lower interest rates from time deposit placements. As a percentage of total revenues, this account represented 2% and 5% in 2021 and 2020, respectively.

Sale of real estate – 100% increase to P892 thousand from nil

1 parking unit sold during the year. As a percentage of total revenues, this account stood at 0.06% in 2021.

Cost of services – 15% increase to P508 million from P442 million

Mainly in relation to greater service revenue. This account stood at 33% and 38% in 2021 and 2020 as a percentage of total revenues.

Cost of sales - 101% increase to P494.5 million from P245 million

Associated to increase in sales. As a percentage of total revenues, this account represented 32% and 21% in 2021 and 2020, respectively.

Cost of rentals – 2% increase to P66.5 million from P64.99 million

There was no material change for this account. This account represented 4% and 6% in 2021 and 2020 based on total revenues.

Cost of real estate sales – 100% increase toP434 thousand from nil

Related to cost of parking slot sold in 2021. As a percentage of total revenues, this account represented 0.03% in 2021.

Gross profit – 18% increase to P470 million from P398.9 million

Contributed by higher revenues of the technical support & solutions and property & related services segments. As a percentage of total revenues, this account stood at 31% and 35% in 2021 and 2020, respectively.

General and administrative expenses – 3% decrease to P317.6 million from P327 million

There was no material change for this account. As a percentage of total revenues, this account stood at 21% and 28% in 2021 and 2020, respectively.

Selling and distribution costs –18% decrease to P44 million from P54 million

Mainly from lower personnel costs, warranty, and warehousing expenses of the distribution segment. This account represented 3% and 5% of total revenues for 2021 and 2020, respectively.

Other operating income –net - 79% increase to P553 million from P308 million

Attributable to fair value gains on investment properties. As a percentage to total revenues, this account represented 36% in 2021 and 27% in 2020.

Operating profit - 103% increase to P661 million from P326 million

Associated with higher other operating income. This account represented 43% and 28% as a percentage of total revenues for 2021 and 2020, respectively.

Finance income – 15% increase to P82 million from P71 million

Mainly from greater cash surrender value on investment in life insurance diminished by weakened interest income during the year. This account represented 5% and 6% as a percentage of total revenues for 2021 and 2020, respectively.

Finance costs - 94% decrease to P2.7 million from P41.9 million

Chiefly due to lower foreign currency exchange loss in 2021. This account represented 0.17% and 4% as a percentage of total revenues in 2021 and 2020, respectively.

Other gains - net – 99% increase to P14.7 million from P7.4 million

Mainly from gain on reversal of provision and miscellaneous income. This account stood at 1% and 0.64% in 2021 and 2020 as a percentage of total revenues.

Profit before tax –108 % increase to P755 million from P363 million

Mainly due to other operating income on fair value gains. This account stood at 49% in 2021 and 32% in 2020 as a percentage of total revenues.

Tax expense – 44% decrease to P78 million from P140 million

Attributable to decrease in corporate income tax rates to 25% from implementation of CREATE Law. The Company also recognized tax income of P4 million given that the CREATE Law was signed after the end of 2020 reporting period but with retroactive effect to July 1, 2020. Further, additional deferred tax income was recorded from remeasurement of net deferred tax assets and net deferred tax liabilities as of January 1, 2021. This account stood at 5% in 2021 and 12% in 2020 based on total revenues.

Net profit – 204% increase to P677 million from P223 million

Due to the better performance of the technical support and solutions, property and related services and investment and other segments diminished by losses of MySolid of the distribution segment. The recorded profit also included non-recurring gain of P145 million deferred tax income relative to the remeasurement of deferred tax liabilities explained above. This account stood at 44% in 2021 and 19% in 2020.

2020

Balance Sheet Items (2020 vs 2019)
(Increase or decrease of 5% or more in the financial statements)

Cash and cash equivalents – 74% decrease to P918 million from P3,491 million

Primarily used for operating activities resulting from increase in short-term investments. This account stood at 7% and 29% as a percentage of total assets for 2020 and 2019.

Short-term Investments – 326% increase to P3,326 million from P762 million

Mostly from higher placements of time deposits with maturities of more than three months but less than one year. This account stood at 27% and 6% based on total assets in 2020 and 2019, respectively.

Trade and other receivables – 48% decrease to P315 million from P611 million

Mainly from collection of receivables of the technical support solutions segment. This account stood at 3% and 5%as a percentage of total assets in 2020 and 2019, respectively.

Advances to related parties – 63% decrease to P3.4 million from P9 million

Principally due to impairment provision on advances. This account stood at 0.03% and 0.07% as a percentage of total assets in 2020 and 2019.

Merchandise inventories and supplies – 25% increase to P198 million from P159 million

Mainly from stock up of inventory of the distribution and technical support and solutions segments. This account represented 2% and 1% as a percentage of total assets for years 2020 and 2019, respectively.

Real estate inventories – P437.1 million from P436.97 million

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

Other current assets – 65% increase to P351 million from P212 million

Mainly due to higher deferred costs pending project completion incurred during the year. This account stood at 3% and 2% as a percentage of total assets in 2020 and 2019, respectively.

Non-current trade and other receivables – P750.9 million from P751.1 million from P739 million

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

Financial assets at fair value through other comprehensive income – 8% decrease to P24 million from P26 million

Resulting from fair value loss for the year. This account stood at 0.20 and 0.22% as a percentage of total assets for 2020 and 2019, respectively.

Investment in an associate – P18 million in 2021

This represented deposits for future subscription in the motorcycle venture of the Company (none in 2020). This stood 0.15% as of percentage of total assets in 2021.

Property, plant and equipment – 1% decrease to P1,680 million from P1,694 million

There was no material change for this account. This represented 14% as a percentage of total assets in both years.

Investment property – 8% increase to P4,035 million from P3,740 million

Mainly due to fair value gains on investment property of the property and related services segment. This account stood at 33% and 31% as a percentage of total assets in 2020 and 2019, respectively.

Right of Use assets – 35% decrease to P9.5 million from P14 million

Resulting from depreciation of ROU assets under PFRS 16, Leases. This account stood at 0.08% and 0.12% as a percentage of total assets in 2020 and 2019, respectively.

Post-employment benefit asset – 14% increase to P138 million from P121 million

Contributed by higher fair value of plan assets offset by lower present value of obligation. This represented 1% of total assets in both years.

Deferred tax assets – 7% increase to P70 million from P66 million

Primarily due to higher allowance for impairment of receivables and NOLCO. This account stood at 0.58% and 0.55%of total assets in 2020 and 2019, respectively.

Other non-current assets – 13% increase to P26 million from P23 million

Mainly from charges related to software development project. This represented 0.22% and 0.19%as percentage to total assets in 2020 and 2019, respectively.

Trade and other payables – 9% decrease to P397 million from P438 million

Mainly due to lower non-trade payable, accrued incentives and output vat. This account stood at 3% and 4% as a percentage of total liabilities and equity in 2020 and 2019, respectively.

Customers' deposits –23% increase to P15.7 million from P12.7 million

Due to additional deposits received during the year. This account represented 0.13% and 0.11% as a percentage of total liabilities and equity in 2020 and 2019, respectively.

Current Lease Liability – 15% to decrease P4.15 million from P4.88 million

Due to payments during the period. This account stood at 0.03% and 0.04% as a percentage of total liabilities and equity in 2020 and 2019, respectively.

Advances from related parties – P1.88 million in 2020 and 2019

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

Interest-bearing loans –100% decrease to nil from P67 million

Due to full payment of loan. This account stood at 0.56% as a percentage of total liabilities and equity in 2019.

Income tax payable –61% decrease to P4.6 million from P11.86 million

Mainly due to lower pre-tax income as compared to last year. This account was pegged at 0.04% and 0.10% of the total liabilities and equity in 2020 and 2019, respectively.

Non-current refundable deposits – 23% increase to P28.9 million from P23.5 million

Mainly from additional deposits. This represented 0.23% and 0.19% of the total liabilities and equity in 2020 and 2019, respectively.

Non-Current Lease Liability –39% decrease to P6.37 million from P10.48 million in 2019

Due to transfer of the maturing lease within the year to current liability. This account represented 0.05% and 0.09% as a percentage of total liabilities and equity in 2020 and 2019.

Post-employment benefit obligation – 18% decrease to P27.6 million from P33.6 million

Mainly due to benefits paid during the year and remeasurements from actuarial gains arising from differences in financial assumptions and experience adjustments. This account stood at 0.22% and 0.28% of the total liabilities and equity in 2020 and 2019, respectively.

Deferred tax liabilities – 10% increase to P961 million from P873 million

Principally attributable to fair value gains in 2020. This account stood at 8% and 7% as a percentage of total liabilities and equity in 2020 and 2019, respectively.

Capital stock – no change

This account stood at 17% of total liabilities and equity for both 2020 and 2019.

Additional Paid-In-Capital – no change

This account represented 38% % of total liabilities and equity for both years.

Treasury Shares – no change

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

Revaluation reserves – 41% decrease to P10.9 million from P18.5 million

Due to losses on currency exchange differences in translating financial statements of foreign operation offset by actuarial gains on post-employment defined benefit obligation. It stood at 0.09% and 0.15% of total liabilities and equity in 2020 and 2019.

Retained earnings – 6% increase to P3,921 million from P3,701 million

Increase was a result of net profit attributable to parent during the period. This account stood at 32% and 31% of total liabilities and equity in 2020 and 2019, respectively.

Income Statement Items (2020 vs. 2019)
(Increase or decrease of 5% or more in the financial statements)

Sale of goods – 78% decrease to P276 million from P1,260 million

Mainly due to lower volume of sales of the distribution and technical support and solutions segments. Alongside the sales decline in 2020 due to the pandemic, MySolid Technologies & Devices Corporation (MySolid), a wholly owned subsidiary of the Company also pursued a business model of earning service income equivalent to percentage of sales of MyPhone products when it assigned the distribution of MyPhone products to its local distributors/importers, resulting to better cashflow albeit reduced topline for the Company. As a percentage of total revenues, this account represented 24% and 48% in 2020 and 2019, respectively.

Service revenue – 43% decrease to P572 million from P1,002

Principally due to decline in revenues of the hotel and events operations of the property and related services segment and aftersales service and project integration revenues of the technical support and solutions segment brought about by business suspensions in this pandemic. As a percentage of total revenues, this account represented 50% and 38% in 2020 and 2019, respectively.

Rental income – 3% decrease to P242 million from P250 million

Mainly due to decrease in leasable space and discounts granted during ECQ of the property and related services segment. As a percentage of total revenues, this account represented 21% and 10% and for years 2020 and 2019, respectively.

Interest income – 37% decrease to P60 million from P96.7 million

Mostly due to lower interest rates. As a percentage of total revenues, this account represented 5% and 4% in 2020 and 2019, respectively.

Sale of real estate – 100% decrease to nil from P7 million

None sold during the year. As a percentage of total revenues, this account stood at 0.28% in 2019.

Cost of sales - 79% decrease to P245 million from P1,177 million

Primarily related to decrease in sales of the distribution segment. As a percentage of total revenues, this account represented 21% and 45% in 2020 and 2019, respectively.

Cost of services – 38% decrease to P442 million from P717 million

Mostly associated to lower service revenue. This account stood at 38% and 27% in 2020 and 2019 as a percentage of total revenues.

Cost of rentals – 34% decrease to P64 million from P97 million

Principally due to lower depreciation of the property and related services segment. This account represented 6% and 4% in 2020 and 2019 based on total revenues.

Cost of real estate sales – 100% decrease to nil from P3.8 million

There was no sale of condominium unit during the year. As a percentage of total revenues, this account represented 0.14% in 2019.

Gross profit – 36% decrease to P398.9 million from P620.8 million

Principally contributed by lower revenues of all business segments. As a percentage of total revenues, this account stood at 35% and 24% in 2020 and 2019, respectively.

General and administrative expenses – 17% decrease to P327 million from P396 million

Mainly due to lower taxes & licenses, personnel cost and utilities and communication. As a percentage of total revenues, this account stood at 28% and 15% in 2020 and 2019, respectively.

Selling and distribution costs –69% decrease to P54 million from P172 million

*M*ainly from lower commission, warranty, retail marketing and delivery expenses brought about by the change in distribution model of the distribution segment. This account represented 5% and 7% of total revenues for 2020 and 2019, respectively.

Other operating income –net - 7% decrease to P308 million from P333 million

Principally due to lower fair value gains on investment property and income from utilities charged to tenants of the property and related services segment. As a percentage to total revenues, this account represented 27% in 2020 and 13% in 2019.

Operating profit - 15% decrease to P326 million from P384 million

Mainly associated with lower gross profit mentioned above. This account represented 28% and 15% as a percentage of total revenues for 2020 and 2019, respectively.

Finance income – 50% decrease to P71 million from P143 million

Mainly due to weaker interest income from lower yield of investible funds and lower cash surrender value of investment in life insurance of the investment and other segment. This account represented 6% and 5% as a percentage of total revenues for 2020 and 2019, respectively.

Finance costs - 49% increase to P41 million from P28 million

Primarily due to higher foreign currency exchange loss on dollar denominated financial assets. This account represented 4% and 1% as a percentage of total revenues in 2020 and 2019, respectively.

Other gains - net – 43% decrease to P7 million from P13 million

Mainly from lower net interest income on retirement benefit asset offset by higher gain on sale of property and equipment. This account stood at 0.64% and 0.50% in 2020 and 2019 as a percentage of total revenues.

Profit before tax – 29% decrease to P363 million from P512 million

Principally due to lower operating profit and other income above. This account stood at 32% in 2020 and 20% in 2019 as a percentage of total revenues.

Tax expense – 51% decrease to P140 million from P286 million

Mostly attributable to lower pre-tax income in 2020. Also, the distribution segment derecognized certain deferred tax assets related to NOLCO and MCIT in 2019, none in 2020. This account stood at 12% in 2020 and 11% in 2019 based on total revenues.

Net profit – 2% decrease to P223 million from P226 million

Although the property & related services and technical support & solutions segments posted lower results of operations in 2020, net profit only slightly decreased by 2% due to lower reported net loss of the distribution segment. This account stood at 19% in 2020 and 9% in 2019.

2019

Balance Sheet Items (2019 vs 2018)
(Increase or decrease of 5% or more in the financial statements)

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

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

Short-term investments – 5% decrease to P762 million from P806 million

Mainly due to greater placements of time deposits with maturities of less than three months reported under cash and cash equivalents. This account stood at 6% and 7% as a percentage of total assets in 2019 and 2018, respectively.

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

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

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

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

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

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

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

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

Other current assets – 15% decrease to P212 million from P250 million

Mainly from the maturities of short-term placements and lower input taxes. This account stood at 1.8% and 2% as a percentage of total assets in 2019 and 2018, respectively.

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

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

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

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

Property, plant and equipment – 4% decrease to P1,694 million from P1,762 million
There was no material change for this account. This represented 14% and 15% as a percentage of total assets in 2019 and 2018, respectively.

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

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

Right of Use assets – P14 million in 2019

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Capital stock – no change

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

Additional Paid-In-Capital – no change

This account represented 38% and 39% of total liabilities and equity for 2019 and 2018.
Treasury Shares – no change

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

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

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

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

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

<u>Income Statement Items (2019 vs. 2018)</u>
(Increase or decrease of 5% or more in the financial statements)

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

Principally due to significant reduction in volume of digital mobile segment. Sales was greatly affected by the strong presence of global and local mobile phone brands. Moreover, MySolid pursued another distribution model and earned service income equivalent to percentage of sales of MyPhone products in last quarter of 2019, subsequently reducing sales thereafter. As a percentage of total revenues, this account represented 48% and 73% in 2019 and 2018, respectively.

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

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

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

Mostly from higher occupancy of the property and building services segment. As a percentage of total revenues, this account represented 10% and 6% for years 2019 and 2018, respectively.

Interest income – 73% increase to P96 million from P56 million

Attributable to higher interest rates in the first half of the year and reported higher placements. As a percentage of total revenues, this account represented 4% and 2% in 2019 and 2018, respectively.

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

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

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

Primarily contributed by the above weak volume of sales of the digital mobile segment. As a percentage of total revenues, this account represented 45% and 64% in 2019 and 2018, respectively.

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

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

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

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

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

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

Gross profit – 8% decrease to P620 million from P676.7 million

Principally from reported weak sales and gross profit margins of the digital mobile segment for 2019. On the positive side, the lower gross profit of digital mobile segment was offset by higher margins of the technical support and solution and property and related services segments. As a percentage of total revenues, this account stood at 24% and 18% in 2019 and 2018.

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

Mainly due to lower commissions, warranty, professional fees and delivery expenses related to lower sales and shift to new distribution model of the digital mobile segment. This account represented 7% and 8% of total revenues for 2019 and 2018.

General and administrative expenses – 15% decrease to P396 million from P466 million

Mostly from lower taxes and licenses, manpower and outside services during the year in connection to lower sales and shift to new distribution model of the digital mobile segment. Moreover, the digital mobile segment incurred loss from unrecoverable advances related to Brown mobile phones in 2018 (minimal amount in 2019). As a percentage of total revenues, this account stood at 15% and 13% in 2019 and 2018, respectively.

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

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

Operating profit - 61% increase to P384 million from P238 million

Mostly driven by higher operating profit of the technical support and solution and property and building services segments. This account represented 15% and 6% as a percentage of total revenues for 2019 and 2018, respectively.

Finance income – 28% increase to P143 million from P111 million

Primarily due to higher interest income from cash and cash equivalents and short-term placements and interest income from deposits for acquisition of land and higher increase in cash surrender value of life insurance policy. This account represented 5% and 3% as a percentage of total revenues for 2019 and 2018, respectively.

Finance costs - 182% increase to P28 million form P5.98 million

Mostly as a result of greater foreign currency losses on dollar denominated financial assets. This account represented 1% and 0.16% as a percentage of total revenues in 2019 and 2018.

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

Mainly due to net interest income on retirement benefit asset. This account stood at 0.5% in 2019 and 0.18% in 2018 as a percentage of total revenues.

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

Principally due to higher operating profit for the year of the technical support and solution and property and building services segments. This account stood at 20% in 2019 and 9% in 2018 as a percentage of total revenues.

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

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

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

Despite higher profit before tax, net profit declined caused by higher tax expense. This account stood at 9% in 2019 and 7% in 2018.

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

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

Item 7. FINANCIAL STATEMENTS

The consolidated financial statements and schedules to Financial Statements and Supplementary Schedules are filed as part of this Form 17 - A.

(B) Information on Independent Accountant and Other Related Matters

(1) External Audit Fees and Services

(a) Under the caption Audit and Audit-Related Fees, the aggregate fees billed for each of the last two fiscal years for professional services rendered by the external auditor for :

1. The audit of the registrant's annual financial statements or services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements for those fiscal years:

The audit fees of our present external auditor, Punongbayan and Araullo for the examination of our annual audited financial statements, including those of our subsidiaries for the years ended December 31, 2021 and 2020 amounted to P6.2 million and P6.25 million, respectively.

2. Other assurance and related services by the external auditor that are reasonably related to the performance of the audit or review of the registrant's financial statements.

None for 2021 and 2020.

(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, 2021 and 2020 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 2021 and 2020.

(d) The audit committee's approval policies and procedures for the above services.

The overall scope of the audit was reviewed and approved by the Audit Committee. The terms of engagement of the audit were also reviewed and approved by the Audit Committee.

The scope and terms of engagement of the tax consultation and advisory services were also reviewed and approved by the Audit Committee.

Upon the favorable endorsement by the Audit Committee, the proposed terms of engagement of services are submitted for approval to the Board of Directors. All of the above services were approved by the Board of Directors.

Item 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

The Company has no disagreements with the current accountant on accounting and financial disclosure.

On July 29, 2021, the Company reappointed Punongbayan and Araullo (P&A) as its external auditors for the year 2021.

There was no change in our existing accountant for the years 2021 and 2020.

D. Interim Periods: Comparable discussion to assess material changes

See attached SEC Form 17Q

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

1. Business Development

The Company, formerly United Paracale Mining Company, was incorporated on October 9, 1933 as a mining company.

On May 31, 1996, the Company's new set of stockholders executed deeds of assignment transferring to the Company their investments in shares of stock of certain companies as full payment for their subscriptions to 1.5 billion shares of the Company's capital stock. On June 18, 1996, the Securities and Exchange Commission approved the assignment of shares and the following amendments to the Company's Articles of Incorporation: (a) change in the Company's corporate name to Solid Group Inc.; (b) change in its primary purpose to that of a holding company; (c) change of the par value of its shares from P.01 to P1.00; (d) the declassification of its class A and class B capital stock; and (e) the increase in its authorized capital stock from P20 million (divided into P1.2 billion Class A shares and 0.8 billion Class B shares at P0.01 par value) to P5 billion divided into 5 billion shares at P1.00 par value, all of one class.

On September 4, 1996, an additional 524,475,000 of Company's shares of stock were offered to the public and listed in the Philippine Stock Exchange.

The Company was engaged in the manufacture of color television for both domestic and export sales as well as the distribution and marketing of various consumer audio and video products involving two major brands Sony and Aiwa. Two other manufacturing operations involved plastic molding factories. Due to dramatic changes in the business environment including the 1997 Asian crisis, market liberalization (AFTA duty reduction) and severe competition from both overseas and local sources, the Company eventually phased out its manufacturing operations in television production in 2002 and in plastics molding in 2009.

On the November 21, 2002 special stockholders' meeting, the stockholders approved the acquisition of the shares and/or economic interests in the Destiny Group (consisting of Destiny, Inc. and subsidiaries (DI) and Destiny Cable, Inc. and subsidiaries) from the Elena Lim family in exchange for 1.026 billion shares of the Company with par value of P1.00 per share.

In May 2003, the Company completed the acquisition of the entire issued and outstanding shares of DI, which is in the business of broadband multimedia services. The acquisition was approved by the Bureau of Internal Revenue (BIR) on May 15, 2003. A notice of exemption for the issuance of shares under the Revised Securities Act was filed with the Securities and Exchange Commission on November 6, 2003. Company shares totaling 224,461,752 was proposed to be issued in payment for the DI acquisition upon approval of the listing of these shares with the Philippine Stock Exchange. However, in 2004, upon further review of the assets and liabilities of DI, certain receivables from and payables to related parties were removed from the valuation of DI's net assets. The re-valuation resulted in a change in its financial position from a net asset to a net liability of P23,201,010. The Company and DCI agreed that the Company would no longer issue shares of stock to DCI as payment for its acquisition of DI, but instead assume the DI's net liability which represents fair value of the ongoing business of DI including its existing cable internet subscriber base which, in accordance with the pooling of interest accounting applied to this transaction, was charged to additional paid-in capital. In 2012, Solid Broadband Corporation (SBC), the surviving company after the merger with DI, sold its broadband cable infrastructure and broadband internet subscriber base to Skycable Corporation.

The Company ventured into a 26-storey high rise condominium project Zen Towers located in the heart of Manila in 2007. This project was expanded in 2010 with the completion of a 11-storey building composed of offices for sale and lease in the same premise. Part also of the real estate business is a 75-room budget hotel Casa Bocobo in Manila which started in 2008 and a 144-room business hotel and three fully equipped event venues in Makati launched as Green Sun in 2014.

The Company reinvented itself by realigning its resources to market its own Filipino brand of mobile phone, 'myIphone', which was launched as the country's first dual SIM phone in 2007.

The Company has fourteen (14) wholly-owned subsidiaries as of December 31, 2021, as follows:

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

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

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

Solid Manila Corporation (SMC) was incorporated on June 13, 1983. SMC is engaged in the lease and development of the Company's real estate properties. SMC merged with Solid Distributors, Inc. (SDI), another wholly-owned subsidiary of the Company, on December 23, 2003, with SMC as the surviving company. SMC merged with Solid Corporation (SC), another wholly owned subsidiary of the Company engaged in the same business of leasing real estate properties, with SMC as the surviving company effective January 1, 2012. In 2014, SMC renovated the Solid House Building and repurposed it to hotel and events place and operated the Green Sun Hotel. In December 2016, Green Sun Hotel Management, Inc. was incorporated and took over the management and operation of the hotel in 2017.

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

Precos Corporation (Precos) was incorporated on October 31, 1989 to engage in real estate and related businesses. Prior to 2004, Precos was 60% owned by Solid Corporation (SC) and 40% owned by Sony International (Singapore) Ltd. (SONIS). In 2004, Precos reacquired as treasury stock the shares held by SONIS, thereby making the Company a wholly owned subsidiary of SC. In 2007, Precos became a wholly-owned subsidiary of the Company when SC declared property dividend to the Company in the form of its investment in Precos. In February 2008, Precos acquired Phil-Nanning Consortium, Inc. (PNCI), a domestic company engaged in real estate business. PNCI has a subsidiary organized and operating in Guangxi, China engaged in property development. In August 2016, Precos sold its 100% ownership in PNCI to Solid Company Limited.

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

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.

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

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

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

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

MyApp Corporation (MyApp) was incorporated ana. In October 2016, MyApp sold its ownership in Creative Hothouse Manila, Inc. to Creative Hothouse Philippines PTE., LTD.

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

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, 2021 are:

(1) sale of mobile phones which generated sales of P270 million (for 292,176 units) or 45% of sales in 2021, P115 million (for 83,424 units) or 41% of sales in 2020, and P1,031 million (for 1,005,215 units) or 82% of sales in 2019; and (2) after-sales service for principally SONY brands of consumer electronic products and My|Phone with its 34 company-owned service centers throughout the Philippines as of end of 2021 which generated service income of P147 million or 22% of service revenues in 2021, P121 million or 21% of service revenues in 2020 and P173 million or 17% of service revenues in 2019; (3) warehousing, distribution and product testing of consumer electronic products with service revenue of P205 million or 30% of service revenues in 2021, P191 million or

33% of service revenues in 2020, P197 million or 20% of service revenues in 2019; and (4) subcontract or toll manufacturing of color TV sets for other brand owner (i.e. TCL, Haier) which generated tolling fee of P53 million (for 293,866 units) or 8% of service revenues in 2021, P43 million (for 206,108 units) or 8% of service revenues in 2020, P70 million (for 293,866 units) or 7% of service revenues in 2019. Service income from commission on sale of mobile products amounted to P3 million or 0.4% of service revenues in 2021, P59 million or 10% of service revenues in 2020 and P60 million or 6% of service revenues in 2019.

As mentioned above, Solid Broadband Corporation (SBC) sold its wired and satellite assets and broadband/internet subscriber base on May 11, 2012. After the sale of its assets, SBC remaining business was acting as collecting agent of Sky Cable Corporation until the SBC's clients are transferred to the latter. Revenues arising from this activity amounted to P93 million or 14% of service revenues in 2021, P89 million or 16% of service revenues in 2020 and P90 million or 9% of service revenues in 2019.

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

The Company's products and services are sold in the Philippines. Revenues for the last 3 years, are as follows: broadcast/professional equipment and accessories of P256 million or 43% of sales in 2021, P108 million or 39% of sales in 2020, P182 million or 14% of sales in 2019; prefabricated modular houses and services of P44 million or 7% of sales in 2021, P48 million or 17% of sales in 2020, P29 million or 2% of sales in 2019. Real estate sales amounted to P893 thousand or 0.06% of revenues in 2021, nil in 2020, P7 million or 0.3% of revenues in 2019. Revenues from hotel operations amounted to P116 million or 17% of service revenues in 2021, P59 million or 10% of service revenues in 2020, P168 million or 17% of revenues in 2019. Service fee from project integration of P55 million or 8% of service revenues in 2021, P9 million or 2% of service revenues in 2020 and P234 million or 23% of service revenues in 2019.

Distribution

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

The Company distributes through its subsidiaries consumer electronic products and devices in the Philippines. The MyPhone brand is distributed by MySolid Technologies and Devices Corporation (MySolid) and Solid Trading Limited (STL), a related party under common ownership through 1 national distributor. As of December 31, 2021, the national distributors supplied approximately to 150 dealer accounts and 400 retail outlets.

Status of any-publicly announced new product or service

None.

Competition

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

The broadcast/professional equipment and accessories that the Company sells competes with other brands like Panasonic and Sharp. Other local competitors are MQ Lightings, WAM Pacific, Composite Technologies, BMH System Solutions, Inc, Media Convergence Inc. and Broadcom Asia.
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 Yusen, Seaquest, Lite Xpress, DB Schenker and CJ Logistics among others. It also offers testing services to electronics companies and competes with Rhineland and Duinus Smart Tech.

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

Inventories and Service Parts

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

Dependency of the business upon a single or few customers

Due to the expiration of lease contract of Kita Corporation (Kita) with CDC in 2019, Kita sole revenue is from the lease of its residential property. The Company has no other major existing sales contracts.

Service

The Company provides through its subsidiaries, after-sales service for all the consumer electronic products it manufactures. As at December 31, 2021, it has 34 service centers throughout the Philippines and 39 authorized service centers.

Related Party Transactions

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

Principal Terms and Expiration Dates of all Licenses and Agreements

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

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

In-warranty services shall be rendered free of charge to customers. The actual cost of replacement parts related to in-warranty services shall be shouldered by Sony. Network support fees shall be at a fixed rate per month. The Agreement is effective unless revoked by any of the parties.

- Distributorship Agreement with Sony Corporation

Solid Video Corporation has a non-exclusive Distributorship Agreement with Sony Corporation of Hong Kong Limited (Sony HK), a corporation organized and existing under the laws of Hong Kong. Under the agreement, SVC was designated by Sony HK as its non-exclusive distributor of Sony products in the Philippines. In addition, SVC shall provide the customers in the Philippines with repair and parts replacement services, including but not limited to repair and parts replacement services rendered by SVC which are covered under the 12-month warranty period at its own costs and expenses.

- Agreement with Sky Cable Corporation

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

Pursuant to the above agreement and pending the issuance of the National Telecommunications Commission (NTC) approval of the transfer of assets, SBC entered into an operating agreement with Sky on June 2, 2015 for the accommodation of the VSAT transactions of Sky wherein the said transactions will be sold and collected through SBC. Effective 2021, the service fee amounted to P3.36 million. The agreement is effective unless revoked by either party.

- Franchise

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

Need for any government approval

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

Effect of existing and probable governmental regulations on the business

None.

Research and development activities

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

Costs and effects of compliance with environmental laws

The Company has complied with environmental laws at minimal costs.

Employees

The Company and its subsidiaries have 324 regular employees as at December 31, 2021 as shown in the table below. It estimates to have 350 employees by the end of December 31, 2022. There is no existing union as of December 31, 2021. 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	19
Sales and Distribution	54
Operation	76
Service	59
Administration	73
Finance	43
Total	324

Major Risks involved in the Businesses of the Company

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

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

Item 2. Properties

B. Description of Property

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

Location	Land Area (in sq. m.)	Current and Intended Use
Laguna International Industrial Park, Binan, Laguna	73,532	Building and warehouse for lease
La Huerta, Bicutan, Paranaque	18,490	Office building & warehouses for lease

Valenzuela, Marulas, Bulacan	10,493	Factory and warehouses, building for lease
San Dionisio, Paranaque	6,690	Warehouses for lease
Laguna International Industrial Park, Binan, Laguna	5,141	Warehouse for lease
Don Chino Roces Ave, Makati City	5,000	Hotel and office building
San Antonio, Paranaque	4,702	Warehouse for lease
San Antonio, Paranaque	4,056	Warehouse for lease
Natividad St., Ermita, Manila	4,505	Condominium tower (for sale)
Osmena Blvd., Cebu City	3,859	Office building for lease
Brgy. Tabuco, Naga City	3,059	Commercial lot for lease
Tandang Sora, Quezon City	2,511	Modular residential building for dormitory type leasing
Barrio Pantal, Dagupan City	1,918	Building under construction
Barrio San Rafael, Iloilo City	1,750	Service Center and building for lease
J. Bocobo St., Ermita, Manila	1,724	Commercial building and Hotel
Brgy. San Roque, San Pablo City	1,714	Service center and building for lease
Oliveros, Balintawak, Quezon City	1,400	Land (Intended for sale)
Bacoor, Cavite	1,334	Commercial building for lease
Cabanatuan City, Nueva Ecija	1,212	Service center and building for lease
Araneta, Quezon City	1,000	Office Building for lease
Calamba Premiere Industrial Park	4,176	Commercial lots for sale
Brgy. Parian, Prinza and Barandal, Calamba	132,929	Raw Land for development
Pililla, Rizal	257,083	Agricultural lot for lease

Solid Corporation also owns a parcel of land in Bgys. Talipapa and Pamaldan, Cabanatuan City, Nueva Ecija with an area of 1,914,180 square meters. This property is the subject of a case filed by Solid Corporation on October 17, 1995 with the Department of Agrarian Reform Regional Adjudication Board (RARAB) to declare the emancipation patents issued to several tenant farmers of the said property and any patents that may subsequently be issued covering the same, null and void on the ground that the requirements of Presidential Decree No. 27 have not been complied with. The portion of the property that may be subject to litigation consists of 47,211 square meters. On February 6, 1997, the case was submitted for resolution. On June 26, 1997, the RARAB ordered the processing of the Certificate of Land Transfer for issuance to the tenants. On July 31, 1997, Solid Corporation appealed the RARAB decision to the DAR's Central Adjudication Board (DARAB). The appeal was resolved adverse to Solid Corporation on January 31, 2002. Solid Corporation appealed the DARAB decision to the Court of Appeals on February 11, 2002. The Court of Appeals dismissed the petition of Solid Corp. on March 1, 2002. In November 2002, Solid Corporation withdrew its appeal at the Court of Appeals preparatory to negotiating with DAR and Landbank, which the Court of Appeals granted last June 28, 2004. No amicable settlement was however reached. Thus, Solid Corporation filed for a Petition for Higher Valuation of Land before the Provincial Agrarian Reform Adjudication Board of the Department of Agrarian Reform in Cabanatuan City on November 18, 2007. The Department of Agrarian Reform granted Solid Corporation's petition and ordered Land Bank to re-evaluate the land valuation based only on Republic Act No. 6657 (The Comprehensive Agrarian Reform Program) on September 28, 2012. Land Bank amended the valuation and tendered an Amended Offer of P14.97 million to Solid Corporation (or Solid Manila Corporation, the surviving company after the merger of Solid Manila Corporation and Solid Corporation). Solid Manila Corporation applied for an amended valuation for Php 16.4 million Pesos. Solid Manila Corporation is complying the documentation requirements as of April 2022.

Franchise

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

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

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

Lease agreements

The Company through its subsidiary, SolidService Electronics Corporation, has entered into third party lease contracts for the operation of its service centers.

Location	Annual Rent (In Thousand Pesos)	Expiration Date
Alabang	741	December 31, 2021
Balintawak	939	March 31, 2023
Makati	724	July 31, 2022
Ortigas	615	August 31, 2022
Pasig-Cainta	768	December 31, 2021
Valenzuela	1,210	August 31, 2022

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

Also, the Company through its subsidiaries, primarily Solid Manila Corporation, Omni Solid Services Inc. and Zen Tower Corporation, leases out to tenants certain real estate properties as summarized below. These leases are renewable on terms mutually acceptable to the parties.

Location	Annual Rent (In Thousand Pesos)	Expiration Date
Araneta, Quezon City	2,829	Various up to July 31, 2022
Bacoor, Cavite	3,080	July 31, 2029
Cagayan de Oro	2,302	Various up to July 31, 2022
Calamba, Laguna	1,511	October 31, 2030
Ermita, Manila	40,878	Various up to February 28, 2026
Ermita, Manila	7,063	Various up to June 30, 2026
Iloilo	2,358	Various up to October 14, 2022
La Huerta, Bicutan, Paranaque	14,980	Various up to October 31, 2027

Laguna International Industrial Park, Binan, Laguna	87,128	Various up to August 15, 2023
Laguna International Industrial Park, Binan, Laguna	9,977	March 31, 2022
Magallanes, Makati	15,363	Various up to July 6, 2029
Naga, Camarines Sur	1,089	May 31, 2038
Project 4, Quezon City	1,163	March 31, 2025
Quezon Ave, Quezon City	3,673	Various up to September 30, 2027
Salcedo Village, Makati	2,295	Various up to June 30, 2022
San Antonio, Paranaque City	17,272	Various up to December 31, 2022
San Antonio, Paranaque City	17,450	Various up to December 31, 2022
Tandang Sora, Quezon City	1,822	Various up to December 31, 2021
Valenzuela, Bulacan	14,327	Various up to May 31, 2022

Properties the Company intends to acquire in the next twelve months

The Company estimates capital expenditures for the year 2022 amounting to P1.45 billion for various real estate development, renovation and upgrade of facilities and transportation equipment. The purchase and/or construction of these capital expenditures will be financed primarily through the funds of the Company and partly through loans.

Item 3. Legal Proceedings

A. Legal Proceedings

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

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

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

F. 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.

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

(a) Principal Market

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

(i) The registrant's common equity is listed and traded only at the Philippine Stock Exchange. The high and low sales prices for each quarter within the last two years are as follows:

Stock Prices

	High (₱)	Low (₱)
2022		
First quarter	1.17	0.91
2021		
First quarter	1.50	1.12
Second quarter	1.36	1.13
Third quarter	1.30	1.10
Fourth quarter	1.21	1.05
2020		
First quarter	1.29	0.75
Second quarter	1.05	0.81
Third quarter	1.06	0.96
Fourth quarter	1.39	0.96

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

(b) The Company share was trading at P0.87 as of May 31, 2022 (the latest practicable trading date).

(c) Not applicable. This report is not filed in relation to registration of securities.

(2) Holders

The number of shareholders of record as of May 31, 2022 was 4,226. Common shares outstanding as of May 31, 2022 were 1,821,542,000 shares. Total issued shares as of May 31, 2022 were 2,030,975,000.

Top 20 stockholders of the Company's common stock as of May 31, 2022 are as follows:

	Name of Stockholder	No. of Shares Held	% to Total Outstanding
1.	AA Commercial, Inc.	583,377,817	32.03
2.	AV Value Holdings Corporation	499,999,999	27.45
3.	PCD Nominee Corporation (F)	339,810,524	18.66
4.	Lim, David S.	79,488,591	4.36
5.	Lim, Vincent S.	71,887,187	3.95
6.	Lim, Jason S.	65,176,160	3.58
7.	Marvin Jacob T. Lim	20,000,000	1.10
8.	PCD Nominee Corporation (NF)	14,291,301	0.78
9.	Christopher James Lim Tan	11,162,000	0.61
10.	Melissa May Chua Cham Lim	11,000,000	0.60
	Michael Jordan Lim	11,000,000	0.60

	Kevin Michael Lim Tan	11,000,000	0.60
	Jonathan Joseph Lim	11,000,000	0.60
11.	Jeremiah Joseph Lim	10,000,000	0.55
	Jessica Megan Lim	10,000,000	0.55
	Isabel Joyce Lim Tan	10,000,000	0.55
	Philippines International Life Insurance Co., Inc	10,000,000	0.55
	Michelle May Chua Cham Lim	10,000,000	0.55
12.	Chua, Willington Chua &/or Constantino	8,770,000	0.48
13.	Tzu Chern Chia	2,872,000	0.16
14.	Chua, Constantino &/or Willington &/or George	1,750,000	0.10
15.	Hottick Development Corporation	1,408,000	0.08
16.	Paz, Venson	1,065,000	0.06
17.	Columbian Motors Corporation	1,000,000	0.05
	Lucio W. Yan &/or Clara Yan	1,000,000	0.05
18.	Juan Go Yu &/or Grace Chu Yu	940,000	0.05
19.	Julia Lim	590,000	0.03
20.	Juan G. Yu &/or John Philip Yu	580,000	0.03

b. Not applicable. This report is not filed in relation to registration of securities or any acquisition, business combination or other reorganization.

c. Not applicable. This report is not filed in relation to any acquisition, business combination or other reorganization.

d. Not applicable. This report is not filed in relation to registration of securities.

(3) Dividends

a. No cash dividends were declared for both 2021 and 2020.

b. The Company's retained earnings as of December 31, 2021 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, 2021.

(4) Recent Sales of Unregistered or Exempt Securities

There was no sale of unregistered or exempt securities in 2019 to 2021.

a. Securities Sold.

No securities were sold by the Company from 2019 to 2021.

b. Underwriters and Other Purchases

Not applicable. There were no securities sold by the Company from 2019 to 2021.

c. Consideration

Not applicable. There were no securities sold by the Company from 2019 to 2021.

d. Exemption from Registration Claimed

Not applicable. There were no securities sold by the Company from 2019 to 2021.

H. 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 Renumeration Committees were created in 2003 to aid in complying with principles of good corporate governance. In 2003, the Company increased the number of independent directors from one (1) to two (2). In 2004, in compliance with SEC Memorandum Circular No. 6. the Company increased the number of independent directors in its Audit Committee, from one independent director to two (2) independent directors, and appointed an independent director to head the Audit Committee. In 2008, the company created another committee, the Risk Management Committee in addition to the 3 existing committees composed of four (4) members chaired by an independent director.

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

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

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

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

On August 12, 2014, the Company's Board of Directors approved the following charters: Corporate Governance and Nominations Committee Charter, Compensation or Renumeration Committee Charter and Risk Management Committee Charter. The Company updated its various charter and the Company's Board of Directors approved the same on November 5, 2019 - the Amended Corporate Governance & Nominations Committee Charter, Risk Management Committee Charter, Internal Audit Charter, Audit Committee Charter. On the same date, the Board approved the Related Party Transaction Committee Charter. On November 10, 2020, the Board approved the Board Charter.

On April 1, 2009, the Board of Directors approved the Whistle Blowing Policy. On November 11, 2014, the Board of Directors approved the policies on: Enterprise Risk Management Policy, Conflict of Interest Policy, Related Party Transaction Policy and Insider Trading Policy. On November 5, 2019, the Company's Board of Directors approved the Amended Related Party Transaction Policy, Enterprise Risk Management Policy, Insider Trading Policy, Policy and Data Relating to Health, Safety and Welfare of Employees, Conflict of Interest Policy.

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

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

The company has reelected Ms. Maria G. Goolsby as Independent Directors during the Annual Stockholders' meeting on July 29, 2021 and appointed Mr. Rafael F. Simpao, Jr. as Independent Director in the same meeting. On January 26, 2022, Ms. Goolsby resigned as Independent Director and Atty. Siegfred B. Mison was elected as new Independent Director on the same date as her replacement.

The Company reappointed Punongbayan and Araullo, CPAs as its independent accountant for the year 2021 during the Annual Stockholders' meeting on July 29, 2021.

In 2018, the Company designated a new engagement partner for the audit of the financial statements of the Company beginning the year ending December 31, 2018 in compliance with its Manual on Corporate Governance, which requires that the Company's external auditor be rotated or the handling partner changed every five (5) years or earlier.

The Company, its Directors, Officers and Employees complied with all the leading practices and principles on Good Governance as embodied in the Company's Manual. All members of the Board of Directors as well as Senior Management officers completed and were duly certified to have attended a 2- day special seminar on Corporate Governance conducted by Institute of Corporate Directors and a 1-day SEC Revised Code of Corporate Governance conducted by Center for Global Best Practices. On November 17, 2021, the Company's Directors and Officers attended a 1/2 -day special seminar on Corporate Governance with Risk Opportunities Assessment and Management (ROAM), Inc, an SEC accredited training provider in compliance with SEC Memorandum Circular No. 20, Series of 2013.
In compliance with the Company's Amended Manual on Corporate Governance, the Board of Directors performed an annual self-assessment of its performance. The assessment included that of the Board itself, the Chairman, individual members and its board committees. In April 2022, the Company engaged an external facilitator who reviewed and assisted the Company in the conduct of its 2021 assessment in compliance with the Company's manual in accordance with SEC's Code of Corporate Governance for Publicly-listed companies.

On June 28, 2013, the Company accomplished and submitted the Annual Corporate Governance Report (ACGR) for the year 2012 in compliance with SEC Memorandum Circular No. 5, Series of 2013. There are no major deviations from the adopted Revised Manual on Corporate Governance. The Company also accomplished the ACGR for the year 2015 which was attached as part of the 2015 Annual Report in SEC Form 17-A. The Company submitted the 2016 ACGR on May 19, 2017 in compliance with SEC Memorandum Circular No. 20, Series of 2016. The 2017 Integrated Annual Corporate Governance Report (I-ACGR) was submitted on May 30, 2018 in compliance with SEC

Memorandum Circular No.15, Series of 2017. Subsequent I-ACGR were submitted on or before its deadline. For 2021 I-ACGR, this will be submitted on or before May 30, 2022.

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

I. External Audit Fees and Services

(e) 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:

3. 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, 2021 and 2020 amounted to P6.2 million and P6.25 million, respectively.

4. 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 2021 and 2020.

(f) 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, 2021 and 2020 amounted to P240 thousand for both years.

(g) 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 2021 and 2020.

(h) 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.

J. 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,
Makati City, Metro Manila
Attention: Ms. Mellina T. Corpuz

COVER SHEET

SEC Registration Number

								8	4	5

Company Name

SOLID GROUP INC. AND SUBSIDIARIES

Principal Office (No./Street/Barangay/City/Town/Province)

2285 DON CHINO ROCES AVENUE MAKATI CITY

Form Type	Department requiring the report	Secondary License Type, If Applicable
SEC FORM 17-Q	CGFD/MSRD	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
N/A	8843-1511	N/A

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
4,228	Last Thursday of June (Per AOI)	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
MELLINA T. CORPUZ	meline_c@solidgroup.com.ph	8843-1511	N/A

Contact Person's Address

2285 DON CHINO ROCES AVENUE MAKATI CITY

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

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

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-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, 2022

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) 8843-15-11

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, 2022 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 2022 and 2021 are as follows:

	2022	2021
Revenue growth(decline)	(2%)	24%
Asset turnover	11%	12%
Operating expense ratio	25%	25%
EBITDA	P66 million	P47.2 million
EPS	P0.017	P0.009
Current ratio	10.85:1	11.81:1
Debt to equity ratio	0.13:1	0.13:1

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 declined by 2% for the first quarter of 2022 vs. 24% decrease for the same period in 2021 principally due to lower revenues of the distribution segment.

Asset turnover stood at 11% for the first quarter of 2022 versus 12% for the first quarter of 2021 as a result of lower revenues reported for the period.

Operating expense ratio remained at 25% for the first quarter of 2022 and 2021.

EBITDA grew to P66 million for the first quarter of 2022 from P47 million for the same period in 2021. This was mainly driven by better performance of the logistics and technical solutions and property and related services segments.

Earnings per share went up to P0.017 for the first quarter of 2022 from loss per share of P0.009 for the same period in 2021 mainly from higher net income for the period.

Current ratio was lower at 10.85:1 as of March 31, 2022 from 11.81:1 as of December 31, 2021 primarily due to increase in current liabilities.

Debt to equity ratio stood at 0.13:1 as of March 31, 2022 and as of December 31, 2021.

Results of Operations

Revenues in the first quarter of 2022 reached P355 million from P362 million for the same period in 2021 from lower revenues of the distribution segment as explained below.

Sale of goods declined by 35% to P96 million for the first quarter of 2022 from P148 million for the same period in 2021 mainly due to lower volume of sales of the distribution segment. MyPhone business continued its sales decline with no new arrivals, compounded by the liquidation of remaining old stocks.

Service revenue climbed 29% to P182 million for the first quarter of 2022, from the same period in 2021 of P142 million mainly due to higher revenues from hotel operations of the property and related services segment and increased volume of logistics operation under logistics and technical solutions segment as IATF restrictions loosen up.

Rental income grew by 9% to P68 million for the first quarter of 2022 from P62 million for the same period in 2021 mainly due to higher occupancy and reduction of covid-related discounts given to tenants.

Interest income dropped to P7 million for the first quarter of 2022, lower by 10% from P8 million for the same period in 2021 due to lower interest rates.

Sale of real estate was nil for the first quarter of 2022 and 2021.

Cost of sales, services, real estate sold and rentals decreased by 6% to P245 million for the first quarter of 2022 from P261 million for the same period in 2021 as discussed below.

Cost of sales amounted to P82 million for the first quarter of 2022, a decrease of 31% from P119 million for the same period of last year in relation to decrease in sales.

Cost of services reached P126 million for the first quarter of 2022 from P106 million for the same period of 2021, up by 19% mainly associated to higher service revenue.

Cost of rentals was maintained at P35 million for the first quarter of 2022 and 2021. There was no material change for this account.

Gross profit went up to P110 million from P100 million for the same period in 2021. Despite lower revenues, gross profit improved by 10% as indicated by the higher service income of logistics and technical solutions segment; and, rental income of the property and related services segment.

Other operating expenses (income) amounted to P75 million for the first quarter of 2022 from P81 million for the same period of 2021 as explained below.

General and administrative expenses expanded by 4% to P84 million for the first quarter of 2022 from P80 million for the same period of 2021. There was no material change for this account.

Selling and distribution costs decreased by 66% to P3.7 million for the first quarter of 2022 from P11 million for the same period of 2021 mainly from lower personnel cost, warranty, warehousing and delivery expenses of the distribution segment.

Other operating income – net reached P12 million for the first quarter of 2022, up by 23% from P10 million for the same period in 2021 principally due to higher income from utilities charged to tenants of the property and related services segment.

Operating profit (loss) escalated by 84% to P35 million for the first quarter of 2022 from P19 million for the same period in 2021, associated with the decrease in other operating expenses as explained above.

Other income (charges) went up to P9.4 million income for the first quarter of 2022 against P5.6 million for the same period in 2021 mainly from the following:

Finance costs dropped by 59% to P0.3 million for the first quarter of 2022 from P0.7 million in 2021 primarily due to lower foreign currency exchange loss.

Finance income improved by 43% to P8 million for the first quarter of 2022 as compared with P5 million for the same period of last year mainly due to higher interest income from cash and cash equivalents.

Other gains - net amounted to P1.7 million income in the first quarter of 2022, or higher by 115% compared with P0.8 million of the previous year mainly from gain on sale of property and equipment.

Profit before tax was P44.8 million for the first quarter of 2022, an increase of 80% from P24.9 million for the same period in 2021 mainly due to higher operating profit mentioned above.

Tax expense went up to P14 million for the first quarter of 2022 from P8.5 million for the same period in 2021 from greater pre-tax income.

Net profit increased to P29 million for the first quarter of 2022 against P16 million for the same period in 2021 due to the better performance of logistics & technical solutions and property & related services segments.

Net profit attributable to equity holders of the parent realized P30 million for the first quarter of 2022 against P16 million net profit in for the same period of 2021 as discussed above.

Net loss attributable to non-controlling interests (NCI) amounted to P0.4 million for the first quarter of 2022 compared with P0.2 million net profit in 2021. This represents minority share in net loss for the period.

Financial Position

Cash and cash equivalents declined by 27% to P2,013 million as of March 31, 2022 from P2,749 million as of December 31, 2021. Cash was principally used in operating activities attributable to the increase in short-term placements as mentioned below.

Short-term placements went up by 44% to P2,444 million as of March 31, 2022 from P1,702 million as of December 31, 2021 from higher placements of time deposits with maturities of more than three months but less than one year.

Trade and other receivables reached P357 million as of March 31, 2022 against P327 million as of December 31, 2021, an increase of 9% from higher trade receivables and advances to suppliers of the property & related services and distribution segments. Trade customers are generally established and stable companies with reasonable assurance of collectibility of their accounts. Nonetheless, trade accounts are periodically reviewed to assess the possible losses from non-collection and allowance is provided for possible losses on accounts which are considered doubtful of collection.

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

Merchandise inventories and supplies - net amounted to P121 million as of March 31, 2022, slightly down by 2% compared with P124 million as of December 31, 2021. There was no material change for this account.

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

Other current assets went down to P228 million as of March 31, 2022 compared with P237 million as of December 31, 2021. There was no material change for this account.

Total current assets reached P5,606 million as of March 31, 2022 from P5,581 million as of December 31, 2021 mainly from higher short-term placements and trade and other receivables-net.

Non-current trade and other receivables slightly grew to P857 million as of March 31, 2022 from P838 million as of December 31, 2021. There was no material change for this account.

Financial assets at fair value through other comprehensive income amounted to P27.4 million as of March 31, 2022 and December 31, 2021. There was no change for this account.

Investment in an associates stood at P76.5 as of March 31, 2022 and as of December 31, 2021 representing deposits to the planned increase in authorized capital stock of Fekon Solid Motorcycle Mfg Corp. There was no change for this account.

Investment in bonds was P20 million as of March 31, 2022 and December 31, 2021 from investment made in 2021(none in 2022).

Property and equipment dropped to P1,610 million as of March 31, 2022 from P1,626 million as of December 31, 2021. There was no material change for this account.

Investment properties – net went up to P4,704 million as of March 31, 2022 from P4,638 as of December 31, 2021. There was no material change for this account.

Rights-of-use (ROU) assets – net decreased to P4.5 million as of March 31, 2022, lower by 19% from P5.7 million as of December 31, 2021 from depreciation of ROU assets under PFRS 16, Leases.

Post-employment benefit assets stood at P 131 million as of March 31, 2022 and as of December 31, 2021. There was no change for this account.

Deferred tax assets - net amounted to P12 million as of March 31, 2022 and as of December 31, 2021. There was no change for this account.

Other non-current assets remained at P26 million as of March 31, 2022 and as of December 31, 2021. There was no material change for this account.

Total non-current assets amounted to P7,471 million as of March 31, 2022 and P7,403 million as of December 31, 2021 as discussed above.

Total assets reached P13,078 million as of March 31, 2022 from P12,985 million as of December 31, 2021 as discussed above.

Trade and other payables rose by 8% to P492 million as of March 31, 2022 against P455 million as of December 31, 2021, due to higher non-trade and other payables offset by lower trade payables of the distribution and logistics and technical solutions segments.

Customers' deposits stood at P10.7 million as of March 31, 2022 and P10.4 million as of December 31, 2021. There was no material change for this account.

Current lease liabilities went down by 30% to P2.5 million as of March 31, 2022 from P3.7 million as of December 31, 2021 due to payments of lease liabilities.

Advances from related parties amounted to P1.85 million as of March 31, 2022 and P1.88 as of December 31, 2021. There was no material change for this account.

Income tax payable grew by 782% to P9.4 million as of March 31, 2022 from P1 million as of December 31, 2021 mainly from tax expense for the period.

Total current liabilities increased by 9% to P516 million as of March 31, 2022 from P473 million as of December 31, 2021 due to higher trade and other payables.

Non-current refundable deposits amounted to P26 million as of March 31, 2022 and as of December 31, 2021. There was no material change for this account.

Non-current lease liabilities was pegged at P2.9 million as of March 31, 2022 and as of December 31, 2021. No change for this account.

Post-employment benefit obligation stood at P19.8 million as of March 31, 2022 and as of December 31, 2021. This represents the unfunded retirement obligation of certain subsidiaries.

Deferred tax liabilities -net amounted to P931 million as of March 31, 2022 and as of December 31, 2021. There was no change for this account.

Total non-current liabilities amounted to P 979 million as of March 31, 2022 and as of December 31, 2021.

Total liabilities amounted to P1,496 million as of March 31, 2022 from P1,452 million as of December 31, 2021.

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

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

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

Revaluation reserves rose by 38% to P69 million as of March 31, 2022 from P50 million as of December 31, 2021 due to gains on currency exchange differences in translating financial statements of foreign operation.

Retained earnings increased to P4,618 million as of March 31, 2022 from P4,588 million as of December 31, 2021 as a result of net profit attributable to parent during the period.

Total equity attributable to Equity holders of Parent amounted to P11,244 million as of March 31, 2022 and P11,195 million as of December 31, 2021.

Non-controlling interests amounted to P366 million as of March 31, 2022 and P338 million as of December 31, 2021. There was no material change for this account.

Total equity amounted to P13,078 million as of March 31, 2022 from P12,985 million as of December 31, 2021.

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 2022 to amount to P1.45 billion for various real estate development, renovation and upgrade of facilities and transportation equipment. The purchase and/or construction of these capital expenditures will be financed primarily through the funds of the Company and partly through loans.

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

The World Health Organization (WHO) declared the coronavirus disease (COVID-19) outbreak a public health emergency of international concern on January 20, 2020 and a pandemic on March 11, 2020. President Duterte declared the country in a state of public health emergency on March 9, 2020 and Metro Manila and entire Luzon area under Enhanced Community Quarantine (ECQ) on March 17, 2020, followed by other cities and provinces. This measure imposed restricted movement and temporary closures of non-essential establishments. The strict quarantine was gradually eased in May 2020 leading to gradual reopening of the economy and businesses. Most of our businesses resumed operation in June 1, 2020 except the hotel and events business of Green Sun under the property & related services segment which recommenced in 1st quarter 2021. On March 1, 2021, the Philippines started its vaccination roll-out. After a year of vaccinating its population against COVID-19, the Philippines has over 66 million fully vaccinated Filipinos as of April 2022. The Philippines was placed in different levels of lockdown or quarantine restrictions depending on the number of case infections. On March 1, 2022, NCR and most of the country were placed under Alert Level 1, the lowest level of restriction with most business establishments allowed to operate. However, due to the uncertainty of permanent business opening, the Company expects its group-wide revenues, income from continuing operations and financial condition will continue to be negatively impacted by this pandemic.

The sales downtrend experienced by MySolid Technologies & Devices Corporation (MySolid), a wholly owned subsidiary of the Company under the distribution segment, this couple of years was heightened by the pandemic. It pursued a business model of earning service income equivalent to percentage of sales of MyPhone products when it assigned the distribution of MyPhone products to its local distributors/importers in last quarter of 2019. While MySolid sold most of its products in 2020 under this distribution model, it lost a key distributor in first quarter 2020 and another one in first quarter 2021. Moreover, its ODM partners failed to provide the current mobile phone models due to component shortage and huge cost. Amidst the slowdown of general local handset brands in the maturing telecom market in the Philippines, MySolid downsized and rationalized its business for 2022 to focus on tablet devises for institutional sales and feature phones for select territorial distributors. The Company expects MySolid's revenues to further decline by about 25% with break-even results.

In August 2019, Kita Corporation (Kita), a wholly owned subsidiary of the Company, 25 year-contract of lease with Clark Development Corporation (CDC) covering parcels of land had expired. In 2019, Kita had surrendered certain buildings to Clark International Airport Corporation since these locations are part of the site for the second Clark Airport runway. In 2021, the Company decided not to renew the lease contact. Kita is currently securing clearance from CDC. Hence, Kita's leasing operations declined to its single residential property in Angeles, Pampanga.

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

As explained in Section V. under Known Trends, Events and Uncertainties above, MySolid Technologies & Devices Corporation (MySolid), a wholly owned subsidiary of the Company under the distribution segment also pursued a business model of earning service income equivalent to percentage of sales of MyPhone products when it assigned the distribution of MyPhone products to its local distributors/importers in the last quarter of 2019. The change in distribution model, business interruption from the pandemic and unavailability of current mobile phone models contributed to significant sales decline. Upon withdrawal of its distributor in a certain area, MySolid had to take over direct distribution resulting to improved topline in 2021. It underwent corporate restructuring and downsized its operations, resulting to reduced operating expenses as it cut down on costs and retrenched employees in 2021.

In December 2021, the Company derecognized deferred tax assets on allowance for doubtful accounts on receivables amounting to P19.6 million of MySolid which were deemed not recoverable.

Given that the CREATE Law which lowered regular corporate income tax (RCIT) was passed after the end of 2020 reporting period and the Company determined that the event was a non-adjusting subsequent event, the Company used the prevailing tax rates as of December 31, 2020 in its 2020 financial statements. Accordingly, its impact was not reflected in the 2020 financial statements and instead taken up in 2021 financial statements. As a result of the application of the lower RCIT rates of 25% and 20% and lower MCIT rate of 1% starting July 1, 2020, the 2020 income tax expense presented in 2020 annual income tax return (ITR) of the Company was lower by P4.2 million than the amount presented in the 2020 financial statements. The retroactive effect was reported as current tax income in 1Q 2021 financial statements of P4.2 million. Further, the recognized net deferred tax assets and net deferred tax liabilities as of January 1, 2021 were remeasured to 25% and 20%. This resulted in additional deferred tax income –net amounting to P145.7 million and such was recognized in profit or loss (deferred tax income of P145.2 million) and in other comprehensive income (deferred tax income of P456 thousand) in December 31, 2021.

Based on the appraisal reports obtained in 2021, the Company reported fair value gains on investment property of P500 million as at year-end of 2021.

As of March 31, 2022 (Unaudited) vs December 31, 2021 (Audited)

Balance Sheet Items (as at March 31, 2022 vs. December 31, 2021)
(Increase or decrease of 5% or more in the financial statements)

Cash and cash equivalents – 27% decrease to P2,013 million from P2,749 million

Principally used in operating activities attributable to the increase in short-term placements. This account stood at 15% and 21% as a percentage of total assets as of March 31, 2022 and as of December 31, 2021, respectively.

Short-term placements – 44% increase P2,444 million from P1,702 million

Chiefly from higher placements of time deposits with maturities of more than three months but less than one year. This account stood at 18.69% and 13% based on total assets as of March 31, 2022 and December 31, 2021, respectively.

Trade and other receivables – 9% increase to P357 million from P327 million

Mainly from higher trade receivables and advances to suppliers of the property and related services and distribution segments. This represented 2.74 % and 2.52% as a percentage of total assets as of March 31, 2022 and as of December 31, 2021, respectively.

Advances to related parties – 1% decrease to 2.36 million from P2.39 million

There was no material change for this account. This account stood at 0.02% as a percentage of total assets for both periods.

Merchandise inventories and supplies – 2% decrease to P121 million from P124 million

There was no material change for this account. This account represented 1% as a percentage of total assets for both periods.

Real estate inventories – No change

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

Other current assets –4% decrease to P228 million from P237 million

There was no material change for this account. This account stood at 1.75% and 1.83% as a percentage of total assets as of March 31, 2022 and as of December 31, 2021, respectively.

Non-current trade and other receivables –2% increase to P857.5 million from P838.5 million

There was no material change for this account. This account stood at 6% as a percentage of the total assets in both periods.

Financial assets at fair value through other comprehensive income – No change

This account stood at 0.21% as a percentage of total assets for both periods.

Investment in an associate – No change

This stood 0.59% as a percentage of total assets as of March 31, 2022 and as of December 31, 2021.

Investment in bond – No change

This represented 0.15% of total assets in both periods.

Property, plant and equipment – 1% decrease to P1,610.8 million from P1,626.5 million

There was no material change for this account. This represented 12.32 % and 12.53% as a percentage of total assets as of March 31, 2022 and as of December 31, 2021, respectively.

Investment property – 1.4% increase to P4,704 million from P4,638 million

There was no material change for this account. This account stood at 36%as a percentage of total assets in both periods.

Right of Use assets – 19% decrease to P4.6 million from P5.7 million

Resulting from depreciation of ROU assets under PFRS 16, Leases. This account stood at 0.04% as a percentage of total assets in both periods.

Post-employment benefit asset – No change

No movement for this account. This represented 1% of total assets in both periods.

Deferred tax assets – No change

This account stood at 0.09% of total assets in both periods.

Other non-current assets – 0.20% decrease to P26.33 million from P26.28 million

There was no material change for this account. This represented 0.20% for both periods as percentage to total assets.

Trade and other payables – 8% increase to P492 million from P455 million

Mainly due to higher non-trade and other payables offset by lower trade payables of the distribution and logistics and technical solutions segments. This account stood at 3.76% and 3.51% as a percentage of total liabilities and equity as of March 31, 2022 and as of December 31, 2021, respectively.

Customers' deposits –4% increase to P10.8 million from P10.4 million

There was no material change for this account. This account represented 0.08% as a percentage of total liabilities and equity in both periods.

Current Lease Liability – 30% decrease to P2.6 million from P3.7 million

Due to payments during the year. This account stood at 0.02% and 0.03% as a percentage of total liabilities and equity for the period ended March 31, 2022 and for the year ended December 31, 2021, respectively.

Advances from related parties – 1% decrease to P1.85 million from P1.88 million

There was no material change for this account. This account stood at 0.01% as a percentage of total liabilities and equity in both periods.

Income tax payable –782% increase to P9.5 million from P1.07 million

Mainly from tax expense for the period. This account was pegged at 0.07% and 0.01% of the total liabilities and equity as of March 31, 2022 and as of December 31, 2021, respectively.

Non-current refundable deposits –P26.3 million from P26.2 million

There was no material change for this account. This represented 0.20% of the total liabilities and equity in both periods.

Non-Current Lease Liability –No change

This account represented 0.02% as a percentage of total liabilities and equity in both periods.

Post-employment benefit obligation – No change

This account stood at 0.15% of the total liabilities and equity in both periods.

Deferred tax liabilities – No change

This account stood at 7% as a percentage of total liabilities and equity in both periods.

Capital stock – no change

This account stood at 15.53% and 15.64% of total liabilities and equity as of March 31, 2022 and as of December 31, 2021, respectively.

Additional Paid-In-Capital – no change

This account represented 35% and 36% % of total liabilities and equity as of March 31, 2022 and as of December 31, 2021, respectively.

Treasury Shares – no change

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

Revaluation reserves – 38% increase to P69 million from P50 million

Chiefly due to other comprehensive income from gains on currency exchange differences in translating financial statements of foreign operation. It stood at 0.53% and 0.39% of total liabilities and equity as of March 31, 2022 and as of December 31, 2021, respectively.
Retained earnings – 1% increase to P4,618 million from P4,588 million

Resulting from net profit attributable to parent during the period. This account stood at 35% of total liabilities and equity in both periods.

<u>Income Statement Items (For the three months ended March 31, 2022 vs. March 31, 2021)</u>
(Increase or decrease of 5% or more in the financial statements)

Sale of goods – 35% decrease to P96 million from P148 million

Mainly due to lower volume of sales of the distribution segment. MyPhone business continued its sales decline with no new arrivals, compounded by liquidation of remaining old stocks. As a percentage of total revenues, this account represented 27% for the first quarter ended March 31, 2022 and 41% for the first quarter ended March 31, 2021.

Service revenue – 29% increase to P182 million from P142 million

Primarily due to higher revenues from hotel operations of the property and related services segment and increased volume of logistics operation under logistics and technical solutions segment as IATF restrictions loosen up. As a percentage of total revenues, this account represented 51% and 39% for the three months ended March 31, 2022 and 2021, respectively.

Rental income – 9% increase to P68.8 million fromP63 million

Principally due to higher occupancy and reduction of covid-related discounts given to tenants. As a percentage of total revenues, this account represented 19% and 17% for the first quarter ended March 31, 2022 and 2021, respectively.

Interest income – 10% decrease to P7.3 million from P8.1 million

Mostly due to lower interest rates from time deposit placements. As a percentage of total revenues, this account represented 2% in both periods.

Sale of real estate – Nil

There was no sale in both periods.

Cost of sales - 31% decrease to P82.9 million from P119 million

Associated to decrease in sales. As a percentage of total revenues, this account represented 23% and 33% for the three months ended March 31, 2022 and 2021, respectively.

Cost of services – 19% increase to P126 million from P106 million

Mainly in relation to higher service revenue. This account stood at 36% and 29% in the first three months ended March 31, 2022 and 2021, respectively, as a percentage of total revenues.

Cost of rentals – 1% increase to P35.6 million from P35.2million

There was no material change for this account. This account represented 10% for both periods based on total revenues.

Cost of real estate sales – Nil

There was no cost of real estate sales for both periods.

Gross profit – 10% increase to P110.6 million from P100.7 million

Despite lower revenues, gross profit improved by 10% as indicated by higher service income of the logistics and technical solutions segment; and, rental income of the property and related services segment. As a percentage of total revenues, this account stood at 31% for the quarter ended March 31, 2022 and 28% for the quarter ended March 31 2021.

General and administrative expenses – 4% increase to P84 million from P80.6 million

There was no material change for this account. As a percentage of total revenues, this account stood at 24% and 22% for the three months ended March 31, 2022 and 2021, respectively.

Selling and distribution costs –66% decrease to P3.7 million from P11 million

Mainly from lower personnel costs, warranty, and warehousing and delivery expenses of the distribution segment. This account represented 1% and 3% of total revenues for the quarter ended March 31, 2022 and March 31, 2021, respectively.

Other operating income –net - 23% increase to P12.7 million income from P10.3 million loss

Attributable to higher income from utilities charged to tenants of the property and related services segment. As a percentage to total revenues, this account represented 4% in the first quarter ended March 31, 2022 and 3% in the first quarter ended March 31, 2021.

Operating profit - 84% increase to P35 million from P19 million

Associated with the decrease in other operating expenses. This account represented 10% and 5% as a percentage of total revenues for the three months ended March 31, 2022 and 2021, respectively.

Finance costs - 59% decrease to P0.31 million from P0.74 million

Chiefly due to lower foreign currency exchange loss. This account represented 0.09% and 0.21% as a percentage of total revenues in the first quarter of 2022 and 2021, respectively.

Finance income – 43% increase to P8 million from P5.6 million

Mainly from higher interest income from cash and cash equivalents. This account represented 2% as a percentage of total revenues for both periods.

Other gains - net – 115% increase to P1.7 million from P0.79 million

Principally from gain on sale of property and equipment. This account stood at 0.48% and 0.22% in the first quarter of 2021 against the same period in 2021 as a percentage of total revenues.

Profit before tax –80 % increase to P44.8 million from P24.9 million

Mainly due to higher operating profit. This account stood at 13% in the first quarter of 2021 and 7% vs the same period in 2021 based on total revenues, respectively.

Tax expense – 74% increase to P15 million from P8.6 million

Attributable to greater pre-tax income. This account stood at 4% in the first quarter ended March 31, 2022 and 2% in the first quarter ended March 31, 2021 based on total revenues.

Net profit – 83% increase to P29.9 million from P16 million

Due to the better performance of the logistics & technical solutions, and property & related services segments. This account stood at 8% in the first quarter of 2022 and 5% in the first quarter of 2021 based on total revenues.

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.

SUSAN L. TAN

President & Chief Executive Officer

VINCENT S. LIM

SVP & Chief Financial Officer and Chief Risk Officer

May 19, 2022

Solid Group Inc. and Subsidiaries

Unaudited Consolidated Financial Statements as of March 31, 2022 and for the Three Months Ended March 31, 2022 and March 31, 2021

(with Comparative Audited Consolidated Statements of Financial Position as of December 31, 2021)

SOLID GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2022 AND DECEMBER 31, 2021
(Amounts in Philippine Pesos)

	Notes	2022	2021
A S S E T S			
CURRENT ASSETS			
Cash and cash equivalents	5	P 2,013,702,269	P 2,749,788,562
Short-term placements	5	2,444,649,399	1,702,458,454
Trade and other receivables - net	6	357,915,557	327,047,374
Advances to related parties	25	2,359,500	2,386,851
Merchandise inventories and supplies - net	8	121,946,130	124,880,881
Real estate inventories - net	9	437,787,335	437,787,335
Other current assets	13	228,312,081	237,055,863
Total Current Assets		5,606,672,271	5,581,405,320
NON-CURRENT ASSETS			
Trade and other receivables	6	857,505,237	838,536,028
Financial assets at FVOCI	7	27,400,000	27,400,000
Investment in associates		76,512,000	76,512,000
Investment in bonds		20,000,000	20,000,000
Property and equipment - net	11	1,610,840,977	1,626,508,328
Investment properties - net	12	4,704,458,268	4,638,814,250
Right-of-use asset - net	10	4,597,763	5,673,637
Post-employment benefit asset	21	131,951,617	131,951,617
Deferred tax assets - net	22	12,090,214	12,090,214
Other non-current assets - net	13	26,331,955	26,279,062
Total Non-current Assets		7,471,688,031	7,403,765,136
TOTAL ASSETS		P 13,078,360,302	P 12,985,170,456

	Notes	2022	2021
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Trade and other payables	15	492,135,500	455,481,732
Customers' deposits	2	10,755,854	10,366,460
Lease liabilities	10	2,598,500	3,711,489
Advances from related parties	25	1,854,119	1,881,570
Income tax payable		9,464,613	1,072,680
Total Current Liabilities		516,808,586	472,513,931
NON-CURRENT LIABILITIES			
Refundable deposits	16	26,297,253	26,244,550
Lease liabilities	10	2,878,860	2,878,860
Post-employment benefit obligation	21	19,793,584	19,793,584
Deferred tax liabilities - net	22	930,548,205	930,548,205
Total Non-current Liabilities		979,517,902	979,465,199
Total Liabilities		1,496,326,488	1,451,979,130
EQUITY			
Equity attributable to the Parent Company's stockholders			
Capital stock	23	2,030,975,000	2,030,975,000
Additional paid-in capital	2	4,641,701,922	4,641,701,922
Treasury shares - at cost	23	(115,614,380)	(115,614,380)
Revaluation reserves	23	69,259,061	50,287,013
Retained earnings	23	4,618,204,368	4,587,923,980
Total equity attributable to the Parent Company's stockholders		11,244,525,971	11,195,273,535
Non-controlling interests	2	337,507,843	337,917,791
Total Equity		11,582,033,814	11,533,191,326
TOTAL LIABILITIES AND EQUITY		P 13,078,360,302	P 12,985,170,456

See Notes to Consolidated Financial Statements.

SOLID GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2022 AND MARCH 31, 2021
(Amounts in Philippine Pesos)

	Notes	2022	2021
REVENUES			
Sale of goods	2, 4, 25	P 96,858,607	P 148,717,750
Rendering of services	4, 25, 26	182,767,936	142,179,702
Rentals	4, 12, 25, 27	68,796,178	62,998,511
Interest	5, 6, 25	7,272,961	8,110,371
Sale of real estate	2, 4	-	-
		355,695,682	362,006,334
COSTS OF SALES, SERVICES, RENTALS AND REAL ESTATE SALES	17, 18		
Cost of sales		82,970,313	119,407,615
Cost of services		126,505,672	106,684,236
Cost of rentals		35,568,637	35,227,257
Cost of real estate sold		-	-
		245,044,622	261,319,108
GROSS PROFIT		110,651,060	100,687,226
OTHER OPERATING EXPENSES (INCOME)			
General and administrative expenses	18	84,182,051	80,624,675
Selling and distribution costs	18	3,784,061	11,143,912
Other operating loss (income) - net	19	(12,705,105)	(10,303,798)
		75,261,007	81,464,789
OPERATING PROFIT (LOSS)		35,390,053	19,222,437
OTHER INCOME (CHARGES)	20		
Finance costs		(306,950)	(742,673)
Finance income		8,043,957	5,640,150
Other gains (losses) - net		1,694,044	787,208
		9,431,051	5,684,685
PROFIT (LOSS) BEFORE TAX		44,821,104	24,907,122
TAX EXPENSE (INCOME)	22	14,950,664	8,582,781
NET PROFIT (LOSS)		P 29,870,440	P 16,324,341
Net Profit (Loss) attributable to the:			
Parent Company's stockholders	24	P 30,280,388	P 16,054,789
Non-controlling interests		(409,948)	269,552
		P 29,870,440	P 16,324,341
Earnings (Loss) per share attributable to the Parent Company's stockholders	24	P 0.017	P 0.009

See Notes to Consolidated Financial Statements.

SOLID GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2022 AND MARCH 31, 2021
(Amounts in Philippine Pesos)

	Notes	2022	2021
NET PROFIT (LOSS)		P 29,870,440	P 16,324,341
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that will be reclassified subsequently to profit or loss:			
Currency exchange differences on financial statements of foreign operations	2, 23	18,972,048	4,038,592
Other comprehensive income (loss) – net of tax		18,972,048	4,038,592
TOTAL COMPREHENSIVE INCOME		P 48,842,488	P 20,362,933
Total comprehensive income (loss) attributable to:			
Parent Company's stockholders		P 49,252,436	P 20,093,381
Non-controlling interests		(409,948)	269,552
		P 48,842,488	P 20,362,933

See Notes to Consolidated Financial Statements.

SOLID GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2022 AND MARCH 31, 2021
(Amounts in Philippine Pesos)

	Notes	2022	2021
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		50,287,013	10,921,262
Other comprehensive income (loss) for the period		18,972,048	4,038,592
Balance at end of the period		69,259,061	14,959,854
RETAINED EARNINGS (DEFICIT)			
Balance at beginning of year			
As previously reported		4,587,923,980	3,921,769,622
Profit (loss) for the period attributable to			
Parent Company's stockholders		30,280,388	16,054,789
Cash dividends		-	-
Balance at end of the period		4,618,204,368	3,937,824,411
Total Equity Attributable to the Parent Company's stockholders		11,244,525,971	10,509,846,807
NON-CONTROLLING INTERESTS			
Balance at beginning of year		337,917,791	366,558,216
Profit (loss) for the period attributable to			
Non-controlling interests		(409,948)	269,552
Cash dividends		-	-
Balance at end of the period		337,507,843	366,827,768
TOTAL EQUITY		P 11,582,033,814	P 10,876,674,575

See Notes to Consolidated Financial Statements.

SOLID GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2022 AND MARCH 31, 2021
(Amounts in Philippine Pesos)

	Notes	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit (loss) before tax		44,821,104	24,907,122
Adjustments for:			
Interest income		(12,468,206)	(10,017,247)
Depreciation and amortization		21,124,347	22,193,107
Interest expense		102,984	
Unrealized foreign currency losses (gains) - net		(1,690,233)	(3,637,470)
Loss (gain) on sale of property and equipment		(1,214,345)	(132,143)
Impairment loss on intangible assets		-	-
Operating profit before working capital changes		50,675,651	33,313,369
Decrease (increase) in short-term placements		(742,190,945)	9,858,324
Decrease (increase) in trade and other receivables		(36,098,076)	(45,375,501)
Decrease (increase) in merchandise inventories and supplies		2,934,751	(11,154,876)
Decrease (increase) in advances to related parties		27,351	(5,480,000)
Decrease (increase) in other current assets		5,746,120	64,109,281
Decrease (increase) in other non-current assets		(52,893)	437,281
Increase (decrease) in trade and other payables		36,653,770	59,085,856
Increase (decrease) in customers' deposits		389,394	23,975
Increase (decrease) in advances from related parties		(27,451)	
Increase (decrease) in refundable deposits		52,703	209,793
Increase (decrease) in retirement benefit obligation		-	-
Cash generated from (used in) operations		(681,889,626)	105,027,502
Interest received		11,482,402	11,086,288
Cash paid for income taxes		(1,498,731)	(1,319,256)
Net Cash From (Used in) Operating Activities		(671,905,955)	114,794,534
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease (acquisitions) of property and equipment		(3,166,777)	(11,761,810)
Interest received		4,156,196	1,525,501
Decrease (additions) to investment property		(65,644,018)	(4,445,002)
Net Cash From (Used in) Investing Activities		(64,654,599)	(14,681,311)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from (repayments of) interest-bearing loans - net		-	
Payment of lease liabilities and interest expense		(1,215,973)	(518,138)
Interest paid		-	-
Net Cash From (Used in) Financing Activities		(1,215,973)	(518,138)
Effect of Currency Rate Changes on Cash and Cash Equivalents		1,690,233	3,637,470
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(736,086,293)	103,232,555
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		2,749,788,562	918,335,159
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		P 2,013,702,269	P 1,021,567,714

See Notes to Consolidated Financial Statements.

SOLID GROUP INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2022 AND DECEMBER 31, 2021
(Amounts in Philippine Pesos)

1. GENERAL INFORMATION

1.1 Group Background

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

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

	Percentage of Ownership			
Subsidiaries	**2022**	2021	Notes	Nature of Business
Brilliant Reach Limited (BRL)	**100**	100	a	Investment holding company
Green Sun Hotel Management, Inc. (GSHMI)	**100**	100		Hotel and restaurant operation
Kita Corporation (Kita)	**100**	100		Leasing of real estate properties
My Solid Technologies & Devices Corporation (My Solid)	**100**	100		Sale of mobile phones and accessories
Omni Solid Services, Inc. (OSSI)	**100**	100		Logistics and assembly of consumer electronics products
Precos, Inc. (Precos)	**100**	100	c	Real estate
Solid Broadband Corporation (SBC)	**100**	100		Broadband, cable and satellite services
SolidService Electronics Corporation (SEC)	**100**	100	d	Repair services for audio and video products
Solid Group Technologies Corporation (SGTC)	**100**	100		Trading of prefabricated modular house and office units
Solid Manila Corporation (SMC)	**100**	100		Real estate
Solid Manila Finance, Inc. (SMFI)	**100**	100		Financing
Solid Video Corporation (SVC)	**100**	100		Trading of professional audio/ video equipment
Zen Towers Corporation (ZTC)	**100**	100		Real estate
MyApp Corporation (MyApp)	**100**	100	c	Investment holding company
Casa Bocobo Hotel, Inc. (CBHI)	**100**	100	b	Hotel and restaurant operation
SVC Hong Kong Limited (SVC HK)	**100**	-	c, g	Trading of professional audio/ video equipment
Skyworld Corporation (Skyworld)	**75**	75	b, c	Investment holding company
Interstar Holdings Company, Inc. (Interstar)	**73**	73	b	Investment holding company
Starworld Corporation (Starworld)	**50**	50	b, e	Real estate
Laguna International Industrial Park, Inc. (LIIP)	**50**	50	b, f	Real estate

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

In 2021, SVC acquired 100% ownership over SVC HK, a foreign private entity domiciled and incorporated under the laws of Hong Kong. SVC HK is yet to start its operation and still in the process of completing its incorporation and other documents to operate. The only transaction incurred by SVC HK is the acquisition of SVC.

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

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

1.2 Other Corporate Information

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

BRL	- 2nd Floor, Abbott Building, P.O. Box 933, Road Town, Tortola, British Virgin Islands
SVC HK	- RM A301, 3/F Blk. A Sea View Est 2-8 Watson Rd, Causeway Bay, Hong Kong
Kita	- N7175 Gil Puyat Ave. cor. Feati St., Clark Freeport Zone, Clarkfield, Pampanga
OSSI	- Solid St., LIIP, Mamplasan, Biñan, Laguna
SEC	- 145 G. Araneta Avenue, Brgy. Tatalon, Quezon City
SMC and CBHI	- 1000 J. Bocobo corner T.M. Kalaw St., Ermita, Manila
Starworld	- CPIP Brgys. Batino & Prinza, Calamba, Laguna
ZTC	- 1111 Natividad A. Lopez St., Brgy. 659-A, District 5, Ermita, Manila

1.3 Continuing Impact of COVID-19 Pandemic on the Group's Business

The COVID-19 pandemic started to become widespread in the Philippines in early March 2020 and its impact has been continuing until the date of the approval of these financial statements. The measures taken by the government to contain the virus have affected economic conditions and the Group's business operations.

In 2021 and 2020, the Group has taken the following measures to mitigate the adverse effects of the COVID-19 pandemic to the Group's business.

- deferred the construction of its planned projects and other capital expenditures, including the construction of Tower 3 of the Tri Towers condominium building, to manage the Group's available funds (see Note 9.2);
- entered into transaction with certain government agencies for the sale of prefabricated modular houses as quarantine facilities;
- opened its doors as a quarantine facility for repatriation of seafarers and allowed temporary lease of facilities for COVID-19 testing;
- extended rental adjustments to various lessees who have requested for discounts during the quarantine period and approved payment scheme for some lessees which were severely affected by the pandemic;
- negotiated for longer payment terms from suppliers; and,
- implemented flexible working arrangement to lessen exposure of the employees to the virus.

As the situation ensued as of December 31, 2021 and thereafter, the Company continue to implement health and safety protocols for its employees and visitors. Additional expenses were incurred from buying health supplies such as alcohol, face mask, face shield, etc.

Management believes that the Group was able to adapt and manage its business operations amidst the challenges brought about by the pandemic. As a result, the Group was able to generate total revenues amounting to P1,540 million in 2021, which is 34% higher than that of 2020. Consequently, the Group generates P677.6 million net profit in 2021, which is also higher by 204% than that of 2020. This also includes non-recurring gain of P145.2 million deferred tax income in 2021 relative to the remeasurement of deferred tax liabilities as a result of Create Law's reduction of corporate income tax with retroactive effect to July 1, 2020 and higher fair value gains of P500 million in 2021 compared with P265 million in 2020. The Group remains at equity position as of December 31, 2021.

Management will continue to take actions to improve the operations as the need arises. Management believes that current measures will continue to mitigate the possible future negative impact of the pandemic to the Group's business and to its financial condition and performance.

Based on the foregoing improvements, management projects that the Group would continue to report positive results of operations and would remain liquid to meet current obligations as they fall due. Accordingly, management has not determined material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern due to the effects of the pandemic.

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, 2021 (including the comparative consolidated financial statements as of December 31, 2020 and for the years ended December 31, 2020 and 2019) were authorized for issue by the Parent Company's BOD on March 31, 2022.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of Preparation of Consolidated Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

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

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

(b) SEC Financial Reporting Reliefs Availed by the Company

The Company has availed of several financial reporting reliefs granted by the SEC under Memorandum Circular (MC) No. 14-2018, Philippine Interpretation Committee Question and Answer (PIC Q&A) No. 2018-12 Implementation Issues Affecting Real Estate Industry, MC No. 3-2019, PIC Q&A Nos. 2018-12-H and 2018-14, MC No. 4-2020, Deferment of the Implementation of IFRS Interpretations Committee (IFRIC) Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23, Borrowing Costs) for Real Estate Industry, and MC 34-2020, Deferral of PIC Q&A No. 2018-12 and

IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23) for Real Estate Industry for another period of three years or until 2023, relating to several implementation issues of PFRS 15, Revenue from Contracts with Customers, affecting the real estate industry.

In 2021, MC No. 2021-08, Amendment to SEC MC No. 2018-14, MC No. 2019-03, MC No. 2020-04, and MC No. 2020-34 to clarify transitory provision, provides real estate companies the accounting policy option of applying either the full retrospective approach or the modified retrospective approach when they apply the provisions of the PIC and IFRIC pronouncement.

Discussed in the succeeding pages are the financial reporting reliefs availed of by the Company, including the descriptions of the implementation issues and their qualitative impacts to the financial statements. The Company opted to avail the reliefs until the end of the deferment period as provided under the relevant MC.

Relief	**Description and Implication**	**Deferral Period**
IFRIC Decision on Over Time Transfer of Constructed Goods (PAS 23) for Real Estate Industry	The IFRIC concluded that any inventory (work-in-progress) for unsold units under construction that the entity recognizes is not a qualifying asset, as the asset is ready for its intended sale in its current condition (i.e., the developer intends to sell the partially constructed units as soon as it finds suitable customers and, on signing a contract with a customer, will transfer control of any work-inprogress relating to that unit to the customer). Accordingly, no borrowing costs can be capitalized on such unsold real estate inventories. Had the Company elected not to defer the IFRIC Agenda Decision, it would have the following impact in the financial statements: • interest expense would have been higher; • cost of real estate inventories would have been lower; • total comprehensive income would have been lower; • retained earnings would have been lower; and, • the carrying amount of real estate inventories would have been lower.	Until end of 2023
PIC Q&A No. 2018-12-D, Concept of the significant financing component in the contract to sell and PIC Q&A No. 2020-04, Addendum to PIC Q&A 2018-12-D: Significant Financing Component Arising from Mismatch between the Percentage of Completion and Schedule of Payments	PFRS 15 requires that in determining the transaction price, an entity shall adjust the promised amount of consideration for the effects of the time value of money if the timing of payments agreed to by the parties to the contract (either explicitly or implicitly) provides the customer or the entity with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component.	Until end of 2023

PIC Q&A No. 2018-12-D, Concept of the Significant Financing Component in the Contract to Sell and PIC Q&A No. 2020-04, Addendum to PIC Q&A 2018-12-D: Significant Financing Component Arising from Mismatch between the Percentage of Completion and Schedule of Payments (continued)	There is no significant financing component if the difference between the promised consideration and the cash selling price of the good or service arises for reasons other than the provision of finance to either the customer or the entity, and the difference between those amounts is proportional to the reason for the difference. Further, the Company does not need to adjust the promised amount of consideration for the effects of a significant financing component if the entity expects, at contract inception that the timing difference of the receipt of full payment of the contract price and that of the completion of the project, are expected within one year and significant financing component is not expected to be significant Had the Company elected not to defer this provision of the standard, it would have an impact in the financial statement as there would have been a significant financing component when there is a difference between the POC of the real estate project and the right to the consideration based on the payment schedule stated in the contract. The Company would have recognized an interest income when the POC of the real estate project is greater than the right to the consideration and interest expense when lesser. Both interest income and expense will be calculated using the effective interest rate method. This will impact the retained earnings, real estate sales, and profit or loss in the year of adoption and in comparative periods presented. Should the Company elect to apply the modified retrospective approach as allowed by MC No. 2021-08, this will impact the opening retained earnings in the year of adoption.	Until end of 2023

(c) Presentation of Consolidated Financial Statements

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

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

(d) Functional and Presentation Currency

These consolidated financial statements are presented in Philippine pesos, the Group's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the consolidated financial statements of the Group are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the Group operates.

(e) Prior Period Reclassification of Accounts

The Group reclassified certain accounts in the consolidated statement of financial position and consolidated statement of income to conform with the current year presentation and account classification. This reclassification did not result in any adjustment to the net profit or to retained earnings reported in the current and prior years.

Since the reclassifications identified have no material net impact on the Group's consolidated financial statements, the Group does not present a third consolidated statement of financial position.

2.2 Adoption of Amended PFRS

(a) Effective in 2022 that are not Relevant to the Group

There are amendments and annual improvements to existing standards effective for annual periods 2022, which are adopted by the FRSC. None of these are relevant and expected to have significant impact on the Company's financial statements:

(i) PAS 16 (Amendments), *Property, Plant and Equipment – Proceeds Before Intended Use* (effective from January 1, 2022)

(ii) PAS 37 (Amendments), *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract* (effective from January 1, 2022)

(iii) Annual Improvements to PFRS 2018-2020 Cycle. Among the improvements, the following amendments, which are effective from January 1, 2022, are relevant to the Company:

- PFRS 9 (Amendments), *Financial Instruments – Fees in the '10 percent' Test for Derecognition of Financial Liabilities*

- Illustrative Examples Accompanying PFRS 16, *Leases – Lease Incentives*

(b) Effective Subsequent to 2022 but not Adopted Early

There are amendments and annual improvements to existing standards effective for annual periods subsequent to 2021, which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, none of these are expected to have significant impact on the Company's financial statements:

(i) PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities Current or Non-current* (effective from January 1, 2023)

(ii) PAS 1 (Amendments), *Presentation of Financial Statements – Disclosure of Accounting Policies* (effective from January 1, 2023)

(iii) PAS 8 (Amendments), *Accounting Estimates – Definition of Accounting Estimates* (effective from January 1, 2023)

(iv) PAS 12 (Amendments), *Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction* (effective from January 1, 2023)

(v) PFRS 10 (Amendments), *Consolidated Financial Statements*, and PAS 28 (Amendments), *Investments in Associates and Joint Ventures – Sale or Contribution of Assets Between an Investor and its Associates or Joint Venture* (effective date deferred indefinitely)

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, investment in an associate and NCI as presented as follows:

(a) Investments in Subsidiaries

Subsidiaries are entities (including structured entities) over which the Parent Company has control. The Parent Company controls an entity when it has power over the investee, it is exposed, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date the Parent Company obtains control. The Parent Company reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of controls indicated above. Accordingly, entities are deconsolidated from the date that control ceases.
The acquisition method is applied to account for acquired subsidiaries. This requires recognizing and measuring the identifiable assets acquired, the liabilities assumed and any NCI in the acquiree. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Parent Company, if any. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred and subsequent change in the fair value of contingent consideration is recognized directly in profit or loss.

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

The excess of the consideration transferred, the amount of any NCI in the acquiree and the acquisition-date fair value of any existing equity interest in the acquiree over the acquisition-date fair value of identifiable net assets acquired is recognized as goodwill. If the consideration transferred is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly as gain in profit or loss (see Note 2.12).

(b) Investment in an Associate

Associates are those entities over which the Parent Company is able to exert significant influence, but which are neither subsidiaries nor interests in a joint venture. Investments in associates are initially recognized at cost and subsequently accounted for using the equity method.

All subsequent changes to the ownership interest in the equity of the associates are recognized in the Parent Company's carrying amount of the investments. Changes resulting from the profit or loss generated by the associates are credited or charged in the consolidated statement of income.

(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 BOD, its chief operating decision-maker. The BOD is responsible for allocating resources and assessing performance of the operating segments.

In identifying its operating segments, management generally follows the Group's products and service lines as disclosed in Note 4, which represent the main products and services provided by the Group. Each of these operating segments is managed separately as each of these service lines requires different technologies and other resources as well as marketing approaches. All intersegment transfers are carried out at arm's length prices.

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

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

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

2.5 Financial Instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the financial instrument.

(a) Financial Assets

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

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

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

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

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

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

(i) Classification, Measurement and Reclassification of Financial Assets

The classification, measurement and reclassification of financial assets is driven by the Group's business model for managing the financial assets ("business model test") and the contractual cash flow characteristics of the financial assets ("cash flow characteristics test") to achieve a particular business objective. The business model is determined at a higher level of aggregation (portfolio or group of financial assets managed together) and not on an instrument-by-instrument approach to classification (i.e., not based on intention for each or specific characteristic of individual instrument) in order to achieve the stated objective and, specifically, realize the cash flows.

Financial assets, other than those designated and effective as hedging instruments, are initially measured at fair value and then subsequently measured either at amortized cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL), depending on the classification determined at initial recognition.

The Company can only reclassify financial assets if the objective of its business model for managing those financial assets changes. A change in the objective of the Group's business model will take effect only at the beginning of the next reporting period following the change in the business model. There were no reclassifications of financial assets in 2021 and 2020.

Financial Assets at Amortized Cost

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

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

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

The Group's financial assets at amortized cost are presented in the consolidated statement of financial position as Cash and Cash Equivalents, Short-term Placements, Trade and Other Receivables (except advances to suppliers and receivable from officers and employees), Advances to Related Parties, Investment in Bonds, Refundable deposits (presented as part of Other Current Assets account) and Refundable deposits, Deposit to suppliers and Cash bond (presented as part of Other Non-current Assets account).

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

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

Financial Assets at FVOCI

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

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

At initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate equity investments as at FVOCI; however, such designation is not permitted if the equity investment is held by the Group for trading or as mandatorily required to be classified as FVTPL. The Group has irrevocably designated equity instruments as at FVOCI on initial recognition.

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

(ii) *Impairment of Financial Assets*

At the end of the reporting period, the Group assesses and recognizes its ECL on a forward-looking basis associated with its financial assets carried at amortized cost. The measurement of ECL involves consideration of broader range of information that is available without undue cost or effort at the reporting date about past events, current conditions, and reasonable and supportable forecasts of future economic conditions (i.e., forward-looking information) that may affect the collectability of the future cash flows of the financial assets. Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instruments evaluated based on a range of possible outcome.

The Group applies the simplified approach in measuring ECL, which uses a lifetime expected loss allowance for all trade and other receivables, except for loans receivables with significant financing component, and advances to related parties. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. To calculate the ECL using a provision matrix, the Group uses its historical experience, external indicators and forward-looking information. The Group also assesses impairment of trade receivables on a collective basis as they possess shared credit risk characteristics, and have been grouped based on the days past due [see Note 28.2(b) and (c)].

For loans receivables, which is presented under Trade and Other Receivables account in the consolidated statement of financial position, the Group recognizes lifetime ECL when there has been a significant increase in credit risk on a financial asset since initial recognition. Lifetime ECL represents the expected credit loss that will result from all possible default events over the expected life of a financial asset, irrespective of the timing of the default. However, if the credit risk on a financial asset has not increased significantly since initial recognition, the Group measures and provides for credit losses that are expected to result from default events that are possible within 12-months after the end of the reporting period.

For debt instruments (i.e., investment in bonds) measured at amortized cost, the allowance for credit losses is based on the ECL associated with the probability of default of a financial instrument in the next 12 months, unless there has been a significant increase in credit risk since the origination of the financial asset, in such case, a lifetime ECL for a purchased or originated credit impaired, the allowance for credit losses is based on the change in the ECL over the life of the asset. The Group recognized a loss allowance for such losses at each reporting date.

The Group determines whether there has been a significant increase in credit risk for financial asset since initial recognition by comparing the risk of default occurring over the expected life of the financial asset between the reporting date and the date of the initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that may indicate an actual or expected deterioration of the credit quality of the financial assets.

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

- *Probability of default (PD)* – It is an estimate of likelihood of a counterparty defaulting at its financial obligation over a given time horizon, either over the next 12 months or the remaining lifetime of the obligation.

- *Loss given default (LGD)* – It is an estimate of loss arising in case where a default occurs at a given time. It is based on the difference between the contractual cash flows of a financial instrument due from a counterparty and those that the Group would expect to receive, including the realization of any collateral or effect of any credit enhancement.

- *Exposure at default (EAD)* – It represents the gross carrying amount of the financial instruments in the event of default which pertains to its amortized cost.

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

(iii) 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.

(b) Financial Liabilities

Financial liabilities include interest-bearing loans, trade and other payables (excluding tax-related liabilities, advances from customers and reserve for warranty costs), advances from related parties and refundable deposits. All interest-related charges are recognized as an expense in profit or loss as part of Finance costs under Other Income (Charges) account 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. There were no outstanding interest-bearing loans as of December 31, 2021 and 2020.

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 end of the reporting period (or in the normal operating cycle of the business, if longer), or the Group does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. Otherwise, these are presented as non-current liabilities.

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

(c) Offsetting of Financial Instruments

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

2.6 Merchandise Inventories and Supplies

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

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

2.7 Real Estate Inventories

Real estate inventories consist of the following:

(a) Land and Land Development Costs

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

(b) Property Development Costs

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

Subsequent to initial recognition, land and land development costs and property development costs are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. An item of land and land development cost is derecognized upon disposal or when no future economic benefits are expected to arise from the sale of asset.

2.8 Other Assets

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

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

Advances to suppliers that will be applied as payment for future purchase of merchandise inventories and supplies are classified and presented under Trade and Other Receivable account. On the other hand, advances to contractors and/or suppliers that will be applied as payment for future acquisition or construction of items of property and equipment, or acquisition and construction of investment property are classified and presented under the Other Non-Current Assets account. The classification and presentation is based on the eventual usage or realization of the asset to which it was advanced for.

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 2.17).

2.9 Property and Equipment

Property and equipment, except land, are carried at acquisition cost or construction cost less subsequent depreciation, amortization and any impairment losses. Land held for use in production or administration is stated at cost less any impairment losses.

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

Construction in progress pertains to the accumulated costs of putting up the assets, additions or improvements including the applicable borrowing cost (see Note 2.19).

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

Depreciation is computed on the straight-line basis over the estimated useful lives of the assets as follows:

Buildings and improvements	10 to 25 years
Test, communication and other equipment	5 to 20 years
Machinery and equipment	5 to 10 years
Transportation equipment	5 years
Computer system	2 to 5 years
Furniture, fixtures and office equipment	2 to 5 years
Tools and equipment	2 to 3 years

Leasehold improvements are amortized over the estimated useful lives of the assets from 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 2.17).

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

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

2.10 Intangible Assets

Intangible assets, presented under Other Non-current Assets account in the consolidated statement of financial position, include non-proprietary club shares and computer software licenses, which are accounted for under the cost model. The cost of the asset is the amount of cash or cash equivalents paid or the fair value of the other considerations given up to acquire an asset at the time of its acquisition.

These are recognized in the consolidated financial statements when it is probable that the future economic benefits will flow to the Group and the asset has a cost or value that can be measured reliably. The Group's non-proprietary club shares are assessed as having indefinite useful life and is tested annually for any impairment. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.17).

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

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

(i) technical feasibility of completing the prospective product for internal use or sale;

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

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

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

2.11 Investment Property

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

Investment property is accounted for under the fair value model. It is revalued annually and is included in the consolidated statement of financial position at its fair value. Fair value is supported by market evidence and is determined by independent appraisers with sufficient experience with respect to both the location and the nature of the investment property (see Note 12).

Investment property, which consists mainly of land and improvements, and buildings and improvements under operating lease agreements, is initially measured at acquisition cost, including transaction costs.

Construction-in-progress pertains to the accumulated costs of putting up the assets, additions or improvements including the applicable borrowing cost (see Note 2.19). Cost is recognized when materials purchased and services performed in relation to construction have been delivered or rendered. When the asset has become available for use, the accumulated cost is transferred to the appropriate investment property account, and depreciation is recognized based on the estimated useful life of such asset.

Transfers from other accounts (such as Land and Land Development Costs and Property and Equipment) are made to investment property when and only when, there is a change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party. Transfers from investment property are made when, and only when, there is a change in use, evidenced by commencement of the owner-occupation or commencement of development with a view to sell.

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

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

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

For tax purposes, investment property is carried at cost less accumulated depreciation computed on a straight-line basis over the estimated net useful lives of the assets ranging from 11 to 25 years.

2.12 Business Combinations

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

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition, except for lease liabilities which are measured based on the present value
of the remaining lease payments as if the acquired lease were a new lease at acquisition date and right-of-use assets which are measured at an amount equal to the recognized lease liability, adjusted to reflect favorable or unfavorable lease terms compared with market terms. Subsequent to initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed (see Note 2.17).

Negative goodwill, which is the excess of the Group's interest in the net fair value of the net identifiable assets acquired over acquisition cost, is charged directly to profit or loss.

For the purpose of impairment testing, goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The cash-generating units or groups of cash-generating units are identified according to operating segment. Gains and losses on the disposal of an interest in a subsidiary include the carrying amount of goodwill relating to it.

If the business combination is achieved in stages, the acquirer is required to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in the profit or loss or other comprehensive income, as appropriate.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with PAS 37 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.

2.13 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.

2.14 Revenue and Expense Recognition

Revenue comprises revenue from sale of goods and real estate and the rendering of services measured by reference to the fair value of consideration received or receivable by the Group for the foods sold and services rendered, excluding value-added tax (VAT) and trade discounts.

To determine whether to recognize revenue, the Group follows a five-step process:

(1) identifying the contract with a customer;
(2) identifying the performance obligation;
(3) determining the transaction price;
(4) allocating the transaction price to the performance obligations; and,
(5) recognizing revenue when/as performance obligations are satisfied.

The Group determines whether a contract with customer exists by evaluating whether the following gating criteria are present:

(i) the parties to the contract have approved the contract either in writing, orally or in accordance with other customary business practices;
(ii) each party's rights regarding the goods or services to be transferred or performed can be identified;
(iii) the payment terms for the goods or services to be transferred or performed can be identified;
(iv) the contract has commercial substance (i.e., the risk, timing or amount of the future cash flows is expected to change as a result of the contract); and,
(v) collection of the consideration in exchange of the goods and services is probable.

Revenue is recognized only when (or as) the Group satisfies a performance obligation by transferring control of the promised goods or services to a customer. The transfer of control can occur over time or at a point in time.

A performance obligation is satisfied at a point in time unless it meets one of the following criteria, in which case it is satisfied over time:

(i) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
(ii) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; and,
(iii) the Group's performance does not create an asset with an alternative use to the Group and the entity has an enforceable right to payment for performance completed to date.

The Group often enters into transactions involving the sale of goods and real estate, and rendering of services. The transaction price allocated to performance obligations satisfied at a point in time is recognized as revenue when control of the goods or services transfers to the customer. If the performance obligation is satisfied over time, the transaction price allocated to that performance obligation is recognized as revenue as the performance obligation is satisfied. The Group uses the practical expedient in PFRS 15 with respect to non-disclosure of the aggregate amount of the transaction price allocated to unsatisfied or partially satisfied performance obligations as of the end of the reporting period and the explanation of when such amount will be recognized as revenue as the Group's contracts with customers have original expected duration of one year or less, except for real estate sales.
In addition, the following specific recognition criteria must also be met before revenue is recognized [significant judgments in determining the timing of satisfaction of the following performance obligations are disclosed in Note 3.1(b)]:

(a) *Rendering of services (other than commission income)* – Revenue, which primarily arise from service fees, room and events services, assembly and test lab services, warehousing and repair services, is recognized by the amount in which the Group has a right to invoice that corresponds directly with the value of services rendered that is completed over a period of time.

(b) *Sale of goods* – Revenue, which primarily include the sale of handsets, devices, accessories, equipment, appliances and modular houses, is recognized at a point in time. This is generally when the customer has taken undisputed delivery of goods.

(c) *Warranty and network support fee (shown as part of Rendering of Services)* – Revenue from warranty and network support fee is recognized over time upon actual rendering of in-warranty and out-of-warranty services to the customers. Revenue from network support, which is a fixed amount per month as indicated in the contract, is accrued at the end of each month.

(d) *Sale of real estate*

(i) *Sale of real estate on pre-completed real estate properties* – Revenue from real estate sales is recognized over time proportionate to the progress of the development. The Group measures its progress based on actual costs incurred relative to the total expected costs to be incurred in completing the development.

(ii) *Sale of real estate on completed real estate properties* – Revenue from real estate sales is recognized at point in time when the control over the real estate property is transferred to the buyer.

Payments received from buyers which do not meet the revenue recognition criteria are presented as Customers Deposits account in the consolidated statement of financial position.

As an accounting policy for real estate properties to be constructed, revenue is recognized based on the percentage-of-completion method determined through the input method as the construction services are provided. The stage of completion is measured on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation (i.e., resources consumed, labor hours expended, other costs incurred, etc.) relative to the total expected inputs to the satisfaction of such performance obligation.

Contract assets pertain to rights to consideration in exchange for goods or services that the Group has transferred to a customer that is conditioned on something other than passage of time. Under its contracts with customers, the Group will receive an unconditional right to payment for the total consideration upon the completion of the development of the property sold. Any rights to consideration recognized by the Group as it develops the property are presented as Contract Assets in the consolidated statement of financial position. Contract assets are subsequently tested for impairment in the same manner as the Group assesses impairment of its financial assets.

Any consideration received by the Group in excess of the amount for which the Group is entitled is presented as Contract Liabilities in the consolidated statement of financial position. A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

(e) *Commission income (shown as part of Rendering of Services)* – Commission income is recognized over time when the performance of contractually agreed tasks have been substantially rendered.

(f) *Service charges and penalties* – Revenue is generally recognized over time when the service has been provided and when there is reasonable degree of certainty as to their collectability.

Further, the Group provides a product warranty for a period of 15 months from the time of sale on its sales of goods related to hidden and manufacturer's defect. Under the terms of this warranty, customers can return the product for repair or replacement if it fails to perform in accordance with published specifications. These warranties are accounted for under PAS 37. However, if the Group is required to refund the related purchase price for returned goods, it recognizes a refund liability for the expected refunds by adjusting the amount of revenues recognized during the period.

In obtaining customer contracts, the Group incurs incremental costs. As the expected amortization period of these costs, if capitalized, would be less than one year, the Group uses the practical expedient in PFRS 15 and expenses such costs as incurred. The Group also incurs costs in fulfilling contracts with customers. However, as those costs are within the scope of other financial reporting standards, the Group accounts for those costs in accordance with accounting policies related to those financial reporting standards.

Cost and expenses are recognized in profit or loss upon utilization of goods or services or at the date they are incurred. Expenditure for warranties is recognized and charged against the associated provision when the related revenue is recognized. All finance costs are reported in the consolidated statement of income on an accrual basis, except capitalized borrowing costs, which are included as part of the cost of the related qualifying asset (see Note 2.19).

2.15 Leases

The Group accounts for its leases as follows:

(a) *Group as Lessee*

For any new contracts entered into, the Group considers whether a contract is, or contains, a lease. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;

- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and,

- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

At lease commencement date, the Group recognizes a right-of-use asset and a lease liability in the statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received). Subsequently, the Group depreciates the right-of-use asset on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist (see Note 2.17).

On the other hand, the Group measures the lease liability at the present value of the lease payments unpaid at the commencement date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate. Lease payments include fixed payments (including in-substance fixed) less lease incentives receivable, if any, variable lease payments based on an index or rate, amounts expected to be payable under a residual value guarantee, and payments arising from options (either renewal or termination) reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

On the consolidated statement of financial position, right-of-use assets and lease liabilities have been presented separately from property and equipment and other liabilities, respectively.

(b) Group as Lessor

Leases which do not transfer to the lessee substantially all the risks and rewards of ownership of the asset are classified as operating leases. Lease income from operating leases is recognized in the consolidated statement of income on a straight-line basis over the lease term.

2.16 Foreign Currency Transactions and Translation

(a) Transactions and Balances

The accounting records of the Group, except BRL, are maintained in Philippine pesos. Foreign currency transactions during the period are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates. The accounting records of BRL are maintained in United States dollar (USD).

Foreign currency exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of income as part of Finance Income or Finance Costs.

(b) Translation of Financial Statements of Foreign Subsidiary

The operating results and financial position of BRL are translated to Philippine pesos, the Group's functional and presentation currency, as presented as follow.

(i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;

(ii) Income and expenses for each statement of income account are translated at the monthly average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rates prevailing at the dates of the transactions); and,

(iii) All resulting exchange differences are recognized as a separate component of other comprehensive income under currency exchange differences on translating financial statements of foreign operations, which is included under items that will be reclassified subsequently to profit or loss.

On consolidation, exchange differences arising from the translation of the net investment in BRL are recognized in other comprehensive income and taken to equity under Revaluation Reserves. When a foreign operation is partially disposed of or sold, such exchange differences are reclassified in the consolidated statement of income as part of the gain or loss on sale. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

The translation of the consolidated financial statements into Philippine pesos should not be construed as a representation that the USD amounts could be converted into Philippine pesos amounts at the translation rates or at any other rates of exchange.

2.17 Impairment of Non-financial Assets

The Group's property and equipment, intangible assets, right-of-use assets and other non-financial assets are subject to impairment testing. Intangible assets with an indefinite useful life or those not yet available for use are tested for impairment at least annually.

All other individual assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount of those assets may not be recoverable. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, assets are tested for impairment either individually or at the cash-generating unit level.

Impairment loss is recognized in profit or loss for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amounts which is the higher of its fair value less costs to sell and its value in use. In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. Except for impairment losses on goodwill, an impairment loss is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

2.18 Employee Benefits

The Group provides post-employment benefits to employees through a defined benefit plan, as well as defined contribution plans, and other employee benefits which are recognized as follows.

(a) Post-employment Defined Benefit Plan

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary.

The legal obligation for any benefits from this kind of post-employment plan remains with the Group, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies. The Group's defined benefit post-employment plan covers all regular full-time employees. The pension plan is tax-qualified, non-contributory and administered by a trustee-bank.

The asset recognized in the consolidated statement of financial position for post-employment defined benefit plans is the fair value of plan assets less the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by independent actuaries 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 bonds using the reference rates published by Bloomberg using its valuation technology, Bloomberg Valuation (BVAL), that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability. BVAL provides evaluated prices that are based on market observations from contributed sources.
Remeasurements, comprising of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions and the return on plan assets (excluding amount included in net interest) are reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they arise. Net interest is calculated by applying the discount rate at the beginning of the period, unless there is a plan amendment, curtailment or settlement during the reporting period. The calculation also takes into account any changes in the net defined benefit liability or asset during the period as a result of contributions to the plan or benefit payments. Net interest is reported as part of Other Gains under the Other Income (Charges) account in the consolidated statement of income.

Past service costs are recognized immediately in profit or loss in the period of a plan amendment and curtailment.

(b) Post-employment Defined Contribution Plans

A defined contribution plan is a post-employment plan under which the Group pays fixed contributions into an independent entity. The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities and assets may be recognized if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short-term nature.

(c) Termination Benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits.

The Group recognizes termination benefits at the earlier of when it can no longer withdraw the offer of such benefits and when it recognizes costs for a restructuring that is within the scope of PAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(d) Bonus Plans

The Group recognizes a liability and an expense for bonuses 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.

2.19 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.

2.20 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 current tax 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 current tax liabilities are recognized as a component of tax expense in the consolidated statement of income.

Deferred tax is accounted for using the liability method, on temporary differences at the end of each reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carryforward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized, or the liability is settled provided such tax rates have been enacted or substantively enacted at the end of the reporting period.

The carrying amount of deferred tax assets are 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 assets to be utilized.

The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. For purposes of measuring deferred tax assets and deferred tax liabilities 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 deferred tax liabilities are recognized as a component of tax expense in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Deferred tax assets and deferred tax liabilities are offset if the Group has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred taxes relate to the same entity and the same taxation authority.

2.21 Related Party Transactions and Relationships

Related party transactions are transfers of resources, services or obligations between the Group and its related parties, regardless whether a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Group; (b) associates; (c) individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the

Group and close members of the family of any such individual; and, (d) the Group's funded retirement plan.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

Based on the requirement of the SEC Memorandum Circular 2019-10, *Rules on Material Related Party Transactions for Publicly-Listed Companies*, transactions amounting to 10% or more of the total assets based on the latest audited financial statements that were entered into with related parties are considered material.

All individual material related party transactions shall be approved by at least two-thirds vote of the BOD, with at least a majority of the independent directors voting to approve the material related party transactions. In case that a majority of the independent director's vote is not secured, the material related party transaction may be ratified by the vote of the stockholders representing at least two-thirds of the outstanding capital stock. For aggregate related party transactions within a one year period that breaches the 10% materiality threshold, the same board approval would be required for the transaction(s) that meets and exceeds the materiality threshold covering the same related party.

2.22 Equity

Capital stock represents the nominal value of shares that have been issued.

Additional paid-in capital (APIC) includes any premiums received on the initial issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from APIC, net of any related tax benefits.

Treasury shares are stated at the cost of reacquiring such shares and are deducted from equity attributable to the Group's equity holders until the shares are cancelled, reissued or disposed of.

Revaluation reserves comprise the remeasurements of post-employment defined benefit plan, cumulative translation adjustments on financial statements of foreign subsidiaries and unrealized fair value gains (losses) arising from the revaluation of certain financial assets at FVOCI.

Retained earnings, the appropriated portion of which is not available for distribution, represent all current and prior period results of operations as reported in the consolidated statement of income, reduced by the amounts of dividends declared, if any.

NCI represent the portion of net assets and profit or loss not attributable to the Parent Company's stockholders which are presented separately in the Group's consolidated statement of income and consolidated statement of comprehensive income and within equity in the Group's consolidated statement of financial position and consolidated statement of changes in equity.

2.23 Earnings Per Share

Basic earnings per share (EPS) is computed by dividing net profit attributable to the Parent Company's stockholders by the weighted average number of shares issued and outstanding, adjusted retroactively for any stock dividends declared, stock split and reverse stock split declared during the current period.

Diluted EPS is computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of potential dilutive shares. Currently, the Group does not have potentially dilutive shares outstanding; hence, the diluted earnings per share is equal to the basic earnings per share.

2.24 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 below and in the succeeding pages, apart from those involving estimation, which have the most significant effect on the amounts recognized in the consolidated financial statements:

(a) Determination of Lease Term of Contracts with Renewal and Termination Options

In determining the lease term, management considers all relevant factors and circumstances that create an economic incentive to exercise a renewal option or not exercise a termination option. Renewal options and/or periods after termination options are only included in the lease term if the lease is reasonably certain to be extended or not terminated and the renewal of the contract is not subject to mutual agreement of both parties.

For leases of payment centers, the factors that are normally the most relevant are (a) if there are significant penalties should the Group pre-terminate the contract, and (b) if any leasehold improvements are expected to have a significant remaining value, the Group is reasonably certain to extend and not to terminate the lease contract. Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

The Group included the renewal period as part of the lease term for leases of some of its payment centers due to the significance of these assets to its operations. These leases have a short, non-cancellable lease period (i.e., one to five years) and there will be a significant negative effect on operations if a replacement is not readily available. However, there are other payment centers wherein the provision in the contract requires mutual agreement of both parties on the terms and agreements of the renewal and termination of the lease contract; hence, renewal options for these leases were not included as part of the lease term.

The lease term is reassessed if an option is actually exercised or not exercised or the Group becomes obliged to exercise or not exercise it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the Group.

(b) Determination of Timing of Satisfaction of Performance Obligations

(i) Rendering of Services

The Group determines that its revenue from rendering of services shall be recognized over time. In making its judgment, the Group considers the timing of receipt and consumption of benefits provided by the Group to the customers. The Group provides the services without the need of reperformance of other companies. This demonstrates that the customers simultaneously receive and consume the benefits of the Group's rendering of the services as it performs.

In determining the best method of measuring the progress of the Group's rendering of services, management considers the output method under PFRS 15 because it directly measures the value of the services transferred to the customer.

(ii) Sale of Goods

The Group determines that its revenue from sale of goods shall be recognized at a point in time when the control of the goods have passed to the customer (i.e., generally when the customer has acknowledged delivery of the goods).

(iii) Sale of Real Estate

The Group exercises critical judgment in determining whether the performance obligation to deliver and transfer the control over the real estate properties (i.e., land and condominium building) to customers is satisfied over time or at a point in time.

In making this judgment, the Group considers the delivery to and acceptance by the buyer of the property as a transfer of control at specific point in time since the Group does not have a significant continuing involvement with the property sold to the buyer and the earning process is virtually complete. Further, the Group's enforceable right for payment becomes due upon transfer of control over the real estate property. The Group's management determines that its revenue from sale of real estate inventories, which are completed and ready for use, shall be recognized at a point in time when the control has transferred to the customer (see Note 2.14).

(c) Determination of ECL on Trade and Other Receivables, Investment in Bonds and Advances to Related Parties

The Group uses a provision matrix to calculate ECL for trade and other receivables. The provision matrix is based on the Group's historical observed default rates. The Group's management intends to regularly calibrate (i.e., on an annual basis) the matrix to consider the historical credit loss experience with forward-looking information (i.e., forecast economic conditions).

For loans receivables (presented under Trade and Other Receivables account), the allowance for impairment is based on the ECL associated with the probability of default of a financial instrument in the next 12 months, unless there has been a significant increase in credit risk since origination of the financial instrument, in such case, a lifetime ECL for the instrument is recognized.

The Group uses a provision matrix to calculate ECL for its debt securities carried at amortized cost (i.e., investment in bonds). The allowance for impairment is based on the ECLs associated with the probability of default of a financial instrument in the next 12 months, unless there has been a significant increase in credit risk since origination of the financial instrument, in such case, a lifetime ECL for the instrument is recognized.

The Group has established a policy to perform an assessment, at the end of each reporting period, whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Other portion of the Group's financial asset at amortized cost pertains to advances to related parties. In relation to this, the maximum period over which ECL should be measured is the longest contractual period where an entity is exposed to credit risk. In the case of these advances to related parties, which are repayable on demand, the contractual period is the very short period needed to transfer the cash once demanded. Management determines possible impairment based on the sufficiency of the related parties' highly liquid assets in order to repay the Group's receivables if demanded at the reporting date taking into consideration the historical defaults of the related parties. If the Group cannot immediately collect its receivables, management considers the expected manner of recovery to measure ECL. If the recovery strategies indicate that the outstanding balance of receivables can be collected, the ECL is limited to the effect of discounting the amount due over the period until cash is realized.

Details about the ECL on the Group's trade and other receivables, investment in debt securities and advances to related parties are disclosed in Notes 6, 25.4, 28.2(b), 28.2(c) and 28.2(e).

(d) *Costing of Merchandise Inventories and Supplies*

The Group's inventory costing policies and procedures were based on a careful evaluation of present circumstances and facts affecting production operations.
A review of the benchmarks set by management necessary for the determination of inventory costs and allocation is performed regularly. Actual data are compared to the related benchmarks and critical judgment is exercised to assess the reasonableness of the costing policies and procedures which are currently in place and to make the necessary revisions in light of current conditions.

(e) *Distinction Between Investment Property, Owner-occupied Properties and Real Estate Inventories*

The Group determines whether a property qualifies as investment property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to the properties but also to other assets used in the production or supply process. On the other hand, real estate inventories are properties intended to be sold in the normal course of business.

(f) Distinction Between Operating and Finance Leases for Contracts where the Group is the Lessor

The Group has entered into various lease agreements as either a lessor or lessee. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities. Based on management's judgment, all of the Group's lease agreements were determined to be operating leases.

(g) Recognition of Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition of provision and contingencies are discussed in Note 2.13 and the disclosures on relevant provisions and contingencies are presented in Note 27.

3.2 Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period:

(a) Determination of Appropriate Discount Rate in Measuring Lease Liabilities

The Group measures its lease liabilities at present value of the lease payments that are not paid at the commencement date of the lease contract. The lease payments were discounted using a reasonable rate deemed by management equal to the Group's incremental borrowing rate. In determining a reasonable discount rate, management considers the term of the leases, the underlying asset and the economic environment. Actual results, however, may vary due to changes in estimates brought about by changes in such factors.

(b) Estimation of Allowance for ECL

The measurement of the allowance for ECL on financial assets at amortized cost is an area that requires the use of significant assumptions about the future economic conditions and credit behavior (e.g., likelihood of customers defaulting and the resulting losses).

Specifically for loans receivables, the Group's ECL calculations are outputs of complex modes with a number of underlying assumptions which include: (1) the Group's criteria for assessing if there has been a significant increase in credit risk; and, (2) development of expected credit loss models, including the choice of inputs relating to macroeconomic variables.

Explanation of the inputs, assumptions and estimation used in measuring ECL is further detailed in Notes 6, 25.4, 28.2(b), 28.2(c) and 28.2(e).

(c) Fair Value Measurement for Financial Instruments

Management applies valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument.

Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the end of the reporting period.

The carrying values of the Group's financial assets at FVOCI and the amounts of fair value changes recognized on those assets are disclosed in Note 7.

(d) Determination of Net Realizable Value of Merchandise Inventories and Supplies

In determining the net realizable value of merchandise inventories and supplies, management takes into account the most reliable evidence available at the time the estimates are made. The Group's core business is continuously subject to rapid technology changes which may cause inventory obsolescence. Moreover, future realization of the carrying amounts of inventories is affected by price changes in different market segments of electronic devices, modular houses, broadcast equipment and accessories (see Note 8). Both aspects are considered key sources of estimation uncertainty and may cause significant adjustments to the Group's merchandise inventories and supplies within the next reporting period.

(e) Determination of Net Realizable Value of Real Estate Inventories

The Group adjusts the cost of its real estate inventories to net realizable value based on its assessment of the recoverability of real estate inventories. Net realizable value for completed real estate inventories is assessed with reference to market conditions and prices existing at the reporting date and is determined by the Group in the light of recent market transactions. Net realizable value in respect of real estate inventories under construction is assessed with reference to market prices at the reporting date for similar property at the same stage of completion, less estimated costs to complete construction and less estimated costs to sell. The amount and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized.

Management's assessment of net realizable value of properties under development requires the estimates of future cash flows to be derived from these properties. These estimates require judgment as to the anticipated sale prices by reference to recent sales transactions in nearby locations, rate of new property sales, marketing costs (including price discounts required to stimulate sales) and the expected costs to completion of properties, the legal and regulatory framework and general market conditions.

The carrying amounts of the real estate inventories are disclosed in Note 9.

(f) Estimation of Useful Lives of Right-of-Use Assets, Property and Equipment and Intangible Assets

The Group estimates the useful lives of right-of-use assets, property and equipment and intangible assets based on the period over which the assets are expected to be available for use. The estimated useful lives of these assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical/commercial obsolescence and legal or other limits on the use of the assets.

The carrying amounts of right-of-use assets, property and equipment and intangible assets are analyzed in Notes 10.1, 11 and 13.1, respectively. Based on management's assessment as of December 31, 2021 and 2020, there is no change in the estimated useful lives of property and equipment during those years. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

(g) Fair Value Measurement of Investment Property

The Group's investment property, which consists of parcels of land and improvements and buildings and improvements, are carried at fair value at the end of the reporting period. In determining the fair value of these assets, the Group engages the services of professional and independent appraisers applying the relevant valuation methodologies as discussed in Note 30.4.

For investment properties with appraisals conducted prior to the end of the current reporting period, management determines whether there are significant circumstances during the intervening period that may require adjustments or changes in the disclosure of fair value of those properties.

A significant change in these elements may affect prices and the value of the assets. The amounts of fair value gains recognized on investment property are disclosed in Note 12.

(h) Determination of Realizable Amount of Deferred Tax Assets

The Group reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

The carrying value of recognized deferred tax assets, which management assessed may be fully utilized in the coming years, as of December 31, 2021 and 2020 is disclosed in Note 22.2. Certain deferred tax assets, however, were not recognized since management believes that there is no assurance that the related tax benefits will be realized in the coming years.

(i) Impairment of Non-financial Assets

In assessing impairment, management estimates the recoverable amount of each asset or a cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see Note 2.17). Though management believes that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in those assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

(j) Estimation of Reserve for Warranty Costs

The Group offers warranty, for a period ranging from one to two years, for each consumer electronic product sold. Management estimates the related provision for future warranty costs based on a certain percentage of sales, as determined based on historical warranty claim information as well as recent trends that might suggest that past cost information may differ from expectations. Warranty costs also include the actual cost of materials used in repairing the electronic products.

The amounts of provision for warranty claims recognized and the outstanding balance of Reserve for warranty costs, which is presented as part of Trade and Other Payables account in the consolidated statements of financial position, are disclosed in Note 15.

(k) Valuation of Post-employment Defined Benefit

The determination of the Group's obligation and cost of post-employment benefit is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 21.2 and include, among others, discount rates and expected rate of salary increases. A significant change in any of these actuarial assumptions may generally affect the recognized expense, other comprehensive income or losses and the carrying amount of the post-employment benefit asset and obligation in the next reporting period.

The amounts of the fair value of the retirement benefit asset and present value of retirement benefit obligation and the analysis of the movements in the fair value of the retirement benefit asset and present value of retirement benefit obligation, as well as the significant assumptions used in estimating such asset and obligation are presented in Note 21.2.

4. SEGMENT INFORMATION

4.1 Business Segments

The Group's operating businesses are organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The Group's different business segments are presented below.

(a) Property and related services are involved in the leasing, development and sale of industrial and other real estate properties and hotel and restaurant operations;

(b) Distribution is presently involved in the business of sale of professional audio and video equipment, mobile phones and devices and prefabricated modular houses;

(c) Logistics and technical solutions are presently engaged in the business of warehousing and distribution, logistics, sales, assembly and testing services and after sales services; and,

(d) Investment and others include investment holding companies, and those included in the business of financing and credit extension.

Segment accounting policies are the same as the policies described in Note 2.4.

4.2 Segment Assets and Liabilities

Segment assets are allocated based on their use or direct association with a specific segment and they include all operating assets used by each business segment and consist principally of operating cash, receivables, inventories, investment properties and property and equipment, net of allowances and provisions.

Similar to segment assets, segment liabilities include all operating liabilities used by each segment and consist principally of accounts, wages, taxes currently payable and accrued liabilities. Segment assets and liabilities do not include deferred taxes.

4.3 Intersegment Transactions

Segment revenues, expenses and performance include sales and purchases between business segments, such sales and purchases are eliminated in the consolidation.

4.4 Analysis of Segment Information

The tables in the succeeding pages present certain asset and liability information regarding business segments as of March 31, 2022 and December 31, 2021 and the related revenue and profit information for each of the three-month period ended March 31, 2022 and 2021 (amounts are in thousands).

	Distribution	Property & Related Services	Logistics & Technical Solutions	Investment & Others	Elimination	Total
2022						
SEGMENT RESULTS						
Total revenues	P 92,636	P 98,319	P 149,778	P 42,036	(P 27,073)	P 355,696
Net profit (loss)	(9,615)	P 13,438	P 27,453	(P 1,284)	(P 122)	P 29,870
SEGMENT ASSETS AND LIABILITIES						
Total assets	P 808,532	P 7,755,421	P 658,753	P 8,865,324	(P 5,009,670)	P 13,078,360
Total liabilities	P 275,673	P 1,393,148	P 147,768	P 59,750	(P 380,013)	P 1,496,326

	Distribution	Property & Related Services	Logistics & Technical Solutions	Investment & Others	Elimination	Total
2021						
SEGMENT RESULTS						
Total revenues	P 155,393	P 70,626	P 135,947	P 27,922	(P 27,881)	P 362,006
Net profit (loss)	(1,607)	(P 12,726)	P 23,984	(P 2,573)	P 9,246	P 16,324
SEGMENT ASSETS AND LIABILITIES						
Total assets	P 485,717	P 7,770,072	P 996,517	P 8,850,060	(P 5,117,196)	P 12,985,170
Total liabilities	P 257,383	P 1,438,480	P 198,845	P 62,174	(P 504,903)	P 1,451,979

4.5 Disaggregation of Revenues from Contracts with Customers and Other Counterparties

When the Group prepares its investor presentations and when the Group management evaluates the financial performance of the operating segments, it disaggregates revenue similar to its segment reporting as presented in Note 4.4. The Group determines that
the categories used in the investor presentations and financial reports used by the Group's management can be used to meet the objective of the disaggregation disclosure requirement of PFRS 15, which is to disaggregate revenue from contracts with customers and other counterparties (except for rentals accounted for under PFRS 16 included herein as additional information) into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. A summary of additional disaggregation from the segment revenues and other unallocated income are shown below and in the succeeding page (amounts in thousands).

	Segment Revenues (Sales to External Customers)				
	Point in time	Over time	Lease	Interest	Total
December 31, 2021					
Distribution	P 310,997	P 6,162	P -		P 317,159
Technical support and solutions	282,125	467,135	-		749,260
Rentals	-	-	240,777		240,777
Property and building	894	107,521	-		108,414
Investments and others	-	97,473	-	26,870	124,343
	P 594,016	P 678,291	P 240,777	P26,870	P1,539,953

The Group's segment revenues (sales to external customers) include rendering of services, sale of goods, rentals and sale of real estate which are presented in the consolidated statements of income.

5. CASH AND CASH EQUIVALENTS AND SHORT-TERM PLACEMENTS

5.1 Cash and Cash Equivalents

Cash and cash equivalents include the following components as of December 31:

	2022	2021
Cash on hand and in banks	**P 398,505,740**	P 578,776,499
Cash equivalents	**1,615,196,529**	2,171,012,063
	P 2,013,702,269	P 2,749,788,562

Cash in banks generally earn interest based on daily bank deposit rates. Cash equivalents pertain to highly liquid short-term investment with maturity periods varying from 1 to 90 days and earn annual interests ranging from 0.01% to 6.25% in 2022 and 2021.

Interest earned from cash in banks and cash equivalents are presented as part of Interest under Revenues and as part of Finance Income under Other Income (Charges) – net in the consolidated statements of income (see Notes 4.6 and 20.2).

5.2 Short-term Placements

Short-term placements, presented separately in the consolidated statements of financial position, pertain to time deposits amounting to P2,444.6 million and P1,702.5 million as of March 31, 2022 and December 31, 2021, respectively, with maturity periods varying between 91 to 365 days in 2021, and earn effective interest ranging from 0.20% to 1.80% in both 2022 and 2021.

Interest earned from short-term placements is presented as part of Interest under Revenues and as part of Finance Income under Other Income (Charges) – net in the consolidated statements of income (see Notes 4.6 and 20.2). The outstanding balance of such interest is presented as Interest receivable under Trade and Other Receivables account in the consolidated statements of financial position (see Note 6).

6. TRADE AND OTHER RECEIVABLES

This account is composed of the following:

	Notes	**2022**	2021
Current:			
Trade receivables	6.1, 25.5, 25.8, 25.9, 26.1, 26.3	**P 263,628,882**	P 252,610,710
Advances to:			
Suppliers	6.2, 25.1	**129,560,606**	111,219,933
Officers and employees	6.2, 25.10	**2,695,393**	3,251,944
Loans receivables	6.3, 25.3	**37,254,776**	36,102,236
Rental receivables	6.5, 25.2	**35,569,246**	11,953,338
Interest receivable	5	**3,038,021**	3,973,442
Other receivables	6.6	**9,253,370**	15,575,988
		481,000,294	434,687,591
Allowance for impairment	6.7	**(123,084,737)**	(107,640,217)
		357,915,557	327,047,374
Non-current:			
Trade receivables		**5,262,004**	5,262,004
Loans receivables	6.3, 25.3	**21,180,773**	21,180,773
Cash surrender value of investment in life insurance	6.4, 14	**831,062,460**	812,093,251
		857,505,237	838,536,028
		P 1,215,420,794	P 1,165,583,402

All trade receivables are subject to credit risk exposure [see Note 28.2(b)]. The Group does not identify specific concentration of credit risk with regard to trade and other receivables as the amounts recognized resemble a large number of receivables from various customers.

6.1 Trade Receivables

Trade receivables include the Group's receivables related to the sold condominium units which are being paid for by the customers in monthly installments. Certain receivables from trade customers are covered by post-dated checks. Trade receivables are measured at amortized cost and have annual effective interest rates ranging from 4.60% to 24.63% in 2022 and 2021, depending on the payment terms. Trade receivables which are expected to be settled beyond one year after the end of the reporting period are classified as non-current trade and other receivables.

Interest earned from real estate sales amounting to P0.3 million for the three-month period ended March 31, 2022 and 2021, respectively, and is presented as part of Finance Income under Other Income (Charges) – net in the consolidated statements of income (see Note 20.2).

Trade receivables from sale of goods and services are usually due within 30 to 45 days, generally unsecured and do not bear interest.

6.2 Advances

Advances to suppliers mainly include advance payments made by My Solid to suppliers for future purchases of mobile phone units and accessories (see Note 25.1). These also include advances made to various suppliers made by SVC for the purchase of pro-tapes, video and medical equipment, and spare parts. There were no impairment losses recognized in 2021 as management believes that these advances are still recoverable. Further, the Group can apply the related payables to this related party in case it defaults.

Advances to officers and employees represent unsecured, noninterest-bearing cash advances for business-related expenditures and are subject to liquidation (see Note 25.10).

6.3 Loans Receivables

Loans receivables pertain to appliances loans, business loans and car loans offered by SMFI to its customers. Loans receivables that are expected to be settled beyond one year after the end of the reporting period or in the normal operating cycle of the business, if longer, are classified as part of non-current trade and other receivables.

In 2020, in response to the implementation of RA No. 11469, *Bayanihan to Heal as One Act*, SMFI granted its borrowers the deferral of payments of principal and interest due for two to four months. The management assessed that such has no material impact on the Group's consolidated financial statements.

Interest income recognized on the Group's loans receivables amounted to P1.8 million and P1.6 million for the three months ended March 31, 2022 and 2021, respectively and are presented as part of Interest under Revenues in the consolidated statements of income (see Note 4.6). The effective interest rates on loans receivables range from 4.00% to 36.00% in 2022 and 2021.

6.4 Cash Surrender Value of Investment in Life Insurance

Cash surrender value of investment in life insurance pertains to insurance policies purchased by BRL for certain directors of the Parent Company. The beneficiary of this investment in life insurance is the Parent Company and accounted for under the cash surrender value method. Under this method, the initial cash surrender value of the insurance policies is recognized immediately in the consolidated statements of financial position. Subsequently, any increase in cash surrender value is recognized as part of Finance Income under Other Income (Charges) account – net in the consolidated statements of income (see Note 20.2). The increase in cash surrender value amounted to P43.3 million for the year ended December 31, 2021.

The cash surrender value of the investment in life insurance is used as collateral for interest-bearing loans obtained by BRL in the prior years (see Note 14).

6.5 Rental Receivables

Rental receivables represent uncollected monthly receivables from a related party and third-party tenants of the Group. This includes rent receivables arising from the application of PFRS 16, which represent the difference between the cash basis rent income and the straight-line rent income of all outstanding lease contracts as of the end of the reporting periods.

6.6 Other Receivables

Other receivables include amounts due from credit card companies for the sale of CCTV. This also includes testing fees and utility charges billed by the Group to its lessees. Further, this account consists of unsecured, noninterest-bearing cash advances made to the ZTC's Home Owners' Association for expenses incurred by the unit owners and related outstanding receivables.

6.7 Allowance for Impairment

All of the Group's trade and other receivables have been assessed for impairment based on the ECL model. The fair value of these short-term financial assets is not individually determined as the carrying amount is a reasonable approximation of fair value. Based on management's assessment of the ECL using the simplified approach, certain trade receivables were found to be impaired; hence, adequate amount of allowance for impairment have been recognized.

A reconciliation of the allowance for impairment on trade and other receivables at the beginning and end of 2021 is shown below.

	2021
Balance at beginning of year	P 114,129,144
Reversal of impairment losses	(6,129,967)
Write-off of receivable	(1,480,740)
Impairment losses during the year	1,121,780
Balance at end of year	P 107,640,217

The impairment losses and reversal of impairment losses is presented as Reversal for impairment losses on trade and other receivables – net and as Impairment losses on trade and other receivables – net under General and Administrative Expenses account in the consolidated statements of income (see Note 18).

7. INVESTMENTS

7.1 Financial Assets at Fair Value Through Other Comprehensive Income

The Parent Company has equity securities pertaining to its 33% equity ownership interest in the common stock of Sony Philippines, Inc. (SPI). This investment is related to the Joint Venture Agreement (JVA) executed in 1997 with Sony Corporation of Japan which has expired on May 8, 2005. On April 11, 2005, the Parent Company received a formal notice of the expiry of the JVA. The Parent Company and Sony Corporation have both agreed to pursue negotiations for an equitable settlement of all matters relating to the JVA and its expiration.

As a result of the above events, the Parent Company determined that it no longer has significant influence over the investee company. Consequently, it reclassified its remaining investment in shares of stock of SPI with total cost of P8.6 million to AFS financial assets in 2005. In 2018, upon the adoption of PFRS 9, the Parent Company reclassified such investment from AFS financial assets to financial assets at FVOCI.

The Parent Company determined that the fair value of this investment is nil as of March 31, 2022 and December 31, 2021.

On the other hand, the fair values of the Group's investments in club shares amounting to P27.4 million, which represent proprietary membership club shares, as of December 31, 2021, have been determined based on quoted prices in less active markets due to lack of trading activities among its participants (see Note 30.2).

A reconciliation of the net carrying amounts of financial assets at FVOCI is shown below.

	Note	**2022**	2021
Balance at beginning of year		**P 27,400,000**	P 24,100,000
Fair value gains (losses) - net	23.3	**-**	(3,300,000)
Balance at end of year		**P 27,400,000**	P 27,400,000

The recognized fair value gains (losses) - net are presented as item that will not be reclassified subsequently to profit or loss under Other Comprehensive Income (Loss) in the consolidated statements of comprehensive income.

7.2 Investment in Debt Securities

In October 2021, the Parent Company invested in held-to-collect corporate bonds amounting to P20.0 million, which bear fixed interest rate of 4.34% per annum and will mature on October 12, 2027. The amount of investment is presented as Investment in Bonds in the 2021 consolidated statement of financial position.

Interest income generated from investment in bonds in 2021 amounted to P0.2 million for the year ended December 31, 2021, which is presented as part of Interest under Revenues in the 2021 consolidated statement of income. The outstanding balance of such interest amounting to P0.2 million as of December 31, 2021 is presented as part of Interest receivable under Trade and Other Receivables account in the 2021 consolidated statement of financial position (see Note 6).

The Group's investment in bonds, which are subject to credit risk exposure [see Note 28.2 (e)], has been reviewed for impairment. Based on such review, the management determines that no impairment loss is needed to be recognized in 2021 as the bonds were in good credit standing as of December 31, 2021.

7.3 Investment in an Associate

In 2021 and 2020, the Parent Company made deposits in the share of Fekon Solid Motorcycle Mfg. Corp. (Fekon), a related party under common ownership, amounting to P58.3 million and P18.2 million, respectively, in relation to the planned increase in authorized capital stock of the latter. As of March 31, 2022 and December 31, 2021, Fekon is still on the process of completing its documents on its application to increase its authorized capital stock with the Commission. Nonetheless, management believes that upon approval by the Commission, the Parent Company will have significant influence over Fekon.

Accordingly, the deposits are recorded as Investment in an associate in the consolidated statements of financial position with total outstanding balance of P76.5 million and as of March 31, 2022 and December 31, 2021. Total equity interest of the Company is at 44%. Initially, the Company's investment is measured at cost and subsequently, upon approval of the application with the Commission, will be measured using equity method.

The summarized financial information for Fekon is shown below.

	2021
Current assets	P 151,068,368
Non-current assets	29,933,236
Total assets	P 181,001,604
Current liabilities	P 20,498,507
Non-current liabilities	175,016,563
Total liabilities	P 195,515,070
Revenue	P 61,424,400
Net loss for the year	(P 17,704,384)

A reconciliation of the above summarized financial information to the carrying amount of the investment in Fekon is shown below.

	2021
Net asset of Fekon*	P 145,396,535
Proportion of ownership interest	44.0%
63,974,475	
Nominal goodwill in equity ownership	12,537,525
Carrying amount of investment	P 76,512,000

* Excluding deposit on future stock subscription presented under non-current liabilities.

Fekon is a private company and there are no quoted prices available for its shares of stocks. Fekon is incorporated and domiciled in the Philippines. Fekon's primary purpose is to engage business of manufacturing, selling, distributing, marketing, trading and assembling of all kinds of goods such as but not limited to motorcycles, e-bicycles, motor parts and products, electronic devices and other electronic merchandise. Fekon's registered office address and principal place of business is located at Block 7, Lot 8B, San Simon Industries Park, San Isidro, San Simon, Pampanga.

8. MERCHANDISE INVENTORIES AND SUPPLIES

Inventories at the end of 2021 and 2020 were stated at lower of cost or NRV. The details of inventories are shown below.

	Note	**2022**	2021
Merchandise inventories	17.1	**P 116,809,741**	P 108,496,159
Service parts, supplies and others		**33,664,722**	44,913,055
		150,474,463	153,409,214
Allowance for inventory obsolescence		**(28,528,333)**	(28,528,333)
		P 121,946,130	P 124,880,881

The Group's inventories are composed of handsets, devices, spare parts, professional tapes, service supplies, equipment and accessories and modular houses. Handsets refer to tablets, devices pertain to mobile phones, and accessories pertain to jelly cases, headsets, power banks, memory cards, and others.

The movements in the allowance for inventory obsolescence are as follows:

	Notes	2022	2021
Balance at beginning of year		**P 28,528,333**	P 68,006,585
Provision for inventory obsolescence	17.1, 18	**-**	851,992
Reversal of allowance for inventory obsolescence	17.1, 18	**(-)**	(40,330,244)
		P 28,528,333	P 28,528,333

In 2021, the Group made a reversal of provision from previous write-down of inventories amounting to P40.3 million for the year ended December 31, 2021, upon sale of those inventories. The reversal is included as an adjustment to Cost of Sales in the consolidated statements of income (see Notes 17.1 and 18).

The Group has no outstanding purchase commitment for the acquisition of merchandise inventories and supplies as of March 31, 2022 and December 31, 2021.

An analysis of the cost of inventories charged to operations in 2021 and 2020 is presented in Note 17.1.

9. REAL ESTATE INVENTORIES

This account is composed of:

	2022	2021
Land and land development costs:		
Land	**P 4,265,299**	P 4,265,299
Land development costs	**35,281,523**	35,281,523
	39,546,822	39,546,822
Allowance for impairment	**(2,667,600)**	(2,667,600)
	36,879,822	36,879,222
Property development costs – Construction in progress and development costs	**400,908,113**	400,908,113
	P 437,787,335	P 437,787,335

9.1 Land and Land Development Costs

Land and land development costs pertain to cost of land and related improvements, held by Starworld and LIIP, which are held for sale.

Under its registration with the Board of Investments, Starworld shall develop 118 hectares of land in its development project located in Calamba Premiere International Park (CPIP) in Bo. Prinza, Calamba City, Laguna. As of March 31, 2022 and December 31, 2021, lot areas totaling 83 hectares (65 hectares for Phase 1 and 18 hectares for Phase 2) were acquired and fully developed.

The allowance for impairment recognized in prior years pertains to the estimated cost of parcels of land and land development costs which may not be fully realized as a result of the Group's long-outstanding claims against the seller for the transfer of title to the name of LIIP. In 2020, the management assessed that the probability that they may recover the carrying amount of the property is remote; hence, an impairment loss amounting to P0.6 million was recorded for the full impairment of such property and is presented as Impairment loss on land and land development costs under General and Administrative Expenses account in the 2020 consolidated statement of income (see Note 18). There were no impairment loss recognized in 2021.

Also, in 2008, in relation to the same property mentioned in the preceding paragraph, a judgment award against LIIP requiring it to pay an amount of P0.1 million was issued by the Court of Appeals. Such amount is presented as part of Other payables under Trade and Other Payables account in the 2019 consolidated statement of financial position (see Note 15). In 2020, the Group reversed the provision on award damages due to the expiration of the prescription period of the judgment made by the Court of Appeals and recorded such as Gain on reversal of provision under Other Gains – net account in the 2020 consolidated statement of income (see Note 20.3). Accordingly, there were no outstanding provisions as of December 31, 2021.

9.2 Property Development Costs

Property development costs pertain to the cost of land used as a building site and the accumulated construction costs of the condominium building project being developed by ZT, which are also for sale.

Property development costs, at the end of each reporting periods, represent condominium units for sale, construction in progress of land and Tower 3, office tower and parking units for which ZTC has been granted permit to sell by the Housing and Land Use Regulatory Board of the Philippines.

The Group, through ZTC, has initiated the planning and construction of the Tri Towers condominium building (see Note 27.4). The construction was started in 2005. The accumulated construction costs (including cost of the land) were eventually transferred to ZTC. The construction of Tower 1 and Tower 2 were completed in 2008 and 2012, respectively, and while the construction of Tower 3 has not yet started, it has incurred expenses for the planning phase as of December 31, 202. Initial expenses incurred for the construction of Tower 3 were capitalized and presented as part of Real Estate Inventories account. Although the completion of the construction of Tower 3 is still indefinite due to the effects of COVID-19 pandemic on the Group's business operations as of December 31, 2021 (see Note 1.3), management believes that related asset is still recoverable as of the reporting periods.

10. LEASES

The Group is a lessee under non-cancellable operating leases covering certain office spaces and satellite offices. The lease for these business spaces has a term of two to five years. All leases have renewal options. Generally, termination of lease contracts shall be communicated to the lessee by the lessor prior to the termination or expiration of the lease contract. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected in the statements of financial position as a right-of-use asset and a lease liability. The Group classifies its right-of-use assets and lease liabilities as separate line items in the consolidated statements of financial position. Each lease generally imposes a restriction that, unless there is a contractual right for the Group to sublease the asset to another party, the right-of-use asset can only be used by the Group. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. The Group is prohibited from selling or pledging the underlying leased assets as security. The Group must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. Further, the Group must insure the leased assets and incur maintenance fees on such items in accordance with the lease contracts.

Refundable security deposits represent the lease deposits made for the lease of the Group's business spaces. Related security deposits for these leases amounted to P14.1 million as of December 31, 2021 and are presented as part of Other Current Assets and Other Non-current Assets account in the consolidated statements of financial position (see Note 13). Refundable security deposits which are expected to be settled beyond one year after the end of the reporting period are classified as non-current assets.

10.1 Right-of-use Assets

The carrying amounts of the Group's right-of-use assets, which pertain to office spaces, as of December 31, 2021 and 2020, including the movements during the reporting period are shown below.

	2022	2021
Balance at beginning of year	**P 5,673,637**	P 9,549,297
Additions		427,837
Amortization	**(1,075,874)**	(4,303,497)
Balance at end of year	**P 4,597,763**	P 5,673,637

The total amortization on the right-of-use assets is presented as part of Depreciation and amortization under Cost of Services in the consolidated statements of income (see Notes 17.2 and 18).

10.2 Lease Liabilities

Lease liabilities are presented in the consolidated statements of financial position as of December 31, 2021 and 2020 as follows:

	2022	2021
Current	**P 2,598,500**	P 3,711,489
Non-current	**2,878,860**	2,878,860
	P 5,477,360	P 6,590,349

The movements in the lease liabilities recognized in the consolidated statements of financial position as of December 31 are as follows:

	2022	2021
Balance at beginning of year	**P 6,590,349**	P 10,521,366
Additional lease liabilities		427,837
Interest accretion		596,418
Repayments of lease liabilities	**(1,112,989)**	(4,955,272)
	P 5,477,360	P 6,590,349

The use of extension and termination options gives the Group added flexibility in the event it has identified more suitable premises in terms of cost and/or location or determined that it is advantageous to remain in a location beyond the original lease term. An option is only exercised when consistent with the Group's regional markets strategy and the economic benefits of exercising the option exceeds the expected overall cost.

10.3 Lease Payments Not Recognized as Liabilities

The Group has elected not to recognize lease liabilities for short-term leases or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognized as lease liabilities and are expensed as incurred.

10.4 Additional Profit or Loss and Cash Flow Information

The total cash outflow in respect of leases, including interest, amounted to P5.0 million for the year ended December 31, 2021. Interest expense in relation to lease liabilities amounted to P0.6 million for the year ended December 31, 2021 and is presented as part of Finance costs under Other Income (Charges) – net in the consolidated statements of income (see Note 20.1).

11. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation, amortization and impairment losses of property and equipment at the beginning and end of 2021 and 2020 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, 2022											
Cost	P 1,277,854,682	P 378,936,844	P 199,914,449	P 238,983,043	P 218,300,404	P 57,903,085	P 85,845,037	P 107,952,977	P 98,725,328	P 3,235,000	P 2,667,650,849
Accumulated depreciation and amortization	-	(170,108,973)	(159,706,169)	(196,875,896)	(169,492,962)	(50.698,683)	(76,595,880)	(103,272,240)	(80,712,819)		(1,007,462,622)
Accumulated impairment losses	-	(35,000,000)	-	-	-	-	-	-	-	(14,346,250)	(49,346,250)
Net carrying amount	P 1,277,854,682	P 173,827,871	P 40,208,280	P 42,107,147	P 48,807,442	P 7,204,402	P 9,249,157	P 4,680,737	P 18,012,509	(P 11,111,250)	P 1,610,840,977
December 31, 2021											
Cost	P 1,277,854,682	P 359,206,004	P 192,796,418	P 295,738,000	P 250,520,348	P 22,909,095	P 86,152,648	P 111,245,598	P 100,455,131	P -	P 2,696,877,924
Accumulated depreciation and amortization	-	(144,232,356)	(157,795,381)	(266,605,095)	(189,910,156)	(14,935,652)	(76,319,893)	(106,709,705)	(78,861,360)	14,346,250	(1,021,023,3498)
Accumulated impairment losses	-	(35,000,000)	-	-	-	-	-	-	-	(14,346,250)	(49,346,250)
Net carrying amount	P 1,277,854,682	P 179,973,648	P 35,001,037	P 29,132,905	P 60,610,192	P 7,973,443	P 9,832,755	P 4,535,893	P 21,593,771	P -	P 1,626,508,326

Construction in progress pertains to accumulated costs incurred on building improvements being constructed in various properties of the Group. In 2021, no borrowing costs were capitalized.

In 2021, the Group sold certain property and equipment with carrying amounts of P6.8 million. Aside from these assets, the Group also disposed of certain fully depreciated and amortized property and equipment with original cost of P0.8 million in 2021. The Group recognized gain on disposal of these property and equipment totaling P1.4 million for the year ended December 31, 2021 which are presented as part of Other Gains – net in the consolidated statements of income (see Note 20.3).

Further, in 2019, the Group retired certain fully depreciated property and equipment with acquisition cost of P3.5 million. There was no similar transaction in 2021.

The cost of fully depreciated property and equipment still used in operations amounted to P546.6 million as of December 31, 2021.

The amount of depreciation and amortization computed on property and equipment is presented as part of the following accounts:

	Notes	**2022**	2021
Cost of services	17.2	**P 12,215,223**	P 13,550,149
Cost of rentals	17.3	**4,069,967**	3,862,865
General and administrative expense		**3,269,542**	3,161,456
S&D cost		**493,742**	596,243
	18	**P 20,048,474**	P 21,170,713

As of March 31, 2022 and December 31, 2021, none of the Group's property and equipment were held as collateral for loans. Further, no impairment losses were recognized in 2022 and 2021, as the management believes that the carrying amount of property and equipment is recoverable in full.

There were no restrictions on titles and items of property and equipment as of March 31, 2022 and December 31, 2021.

12. INVESTMENT PROPERTIES

The Group's investment properties, accounted for under the fair value method, consists mainly of land and improvements, and buildings and improvements that are held under operating lease agreements. These properties earn rental income amounting to P68.8 million and P63.0 million for the three months ended March 31, 2022 and 2021,respectively, and are presented as Rentals under Revenues in the consolidated statements of income. The Group also incurred direct costs such as real property taxes, repairs and maintenance and utilities, which are presented as part of Cost of Rentals in the consolidated statements of income (see Note 17.3).

The fair values of the Group's investment properties as of December 31, 2021 were determined based on appraisal report dated December 12, 2021. Management obtains annual appraisal reports on its investment properties from independent appraisers (see Note 30.4).

The changes in the carrying amounts of investment property as of December 31 as presented in the consolidated statements of financial position are summarized as follows:

	Land and Improvements	Building and Improvements	Construction in Progress	Total
2022:				
Balance at beginning of year	**P 3,707,666,498**	**P 818,924,537**	**P 112,223,215**	P 4,638,814,250
Additions	-	-	**65,644,018**	**65,644,018**
Fair value gains (losses) on investment property – net (see Note 19)	-	(-)	-	-
Reclassification	-	-	(-)	(-)
Derecognition due to cancelled project	-	-	(-)	(-)
Balance at end of year	**P 3,707,666,498**	**P 818,924,537**	**P 177,867,233**	**P 4,704,458,268**
2021:				
Balance at beginning of year	P 3,170,872,205	P 797,160,400	P 66,986,947	P 4,035,019,552
Additions	23,292,478	18,894,854	67,717,743	109,905,075
Fair value gains (losses) on investment property – net (see Note 19)	513,501,815	(12,552,414)	-	500,949,401
Reclassification	-	15,421,697	(22,481,475)	(7,059,778)
Balance at end of year	P 3,707,666,498	P 818,924,537	P 112,223,215	P 4,638,814,250

In 2021 and 2020, the Group incurred expenses amounting to P23.3 million and P9.5 million, respectively, which pertains to land preparation for the planned construction of its building and is presented as part of Investment Property in the consolidated statements of financial position.

Due to the pandemic, certain projects were put on hold and were eventually cancelled in 2021. As a result, the Company received P0.5 million as refund from contractors and P0.1 million were expensed directly. The refund is presented as part of Other Gains - net under Other Income (Charges) - net and the expense as part of Miscellaneous under Operating Expense for the year ended December 31, 2021 statement of income (see Notes 19 and 20.3).

In 2021, the Company started its construction of certain warehouse intended for leasing purposes. Expenses incurred were capitalized and are recorded as part of Construction in Progress. There were no capitalized borrowing costs in 2021.

The fair value gains (losses) on investment properties are presented under Other Operating Income – net in the consolidated statements of income (see Note 19).

As of March 31, 2022 and December 31, 2021, none of the Group's investment properties were held as collateral.

13. OTHER ASSETS

The composition of these accounts as of December 31 is shown below.

	Notes	2022	2021
Current:			
Creditable withholding taxes		**P 122,993,611**	P 119,374,481

Input VAT – net	13.4	**45,964,651**	41,596,678
Prepayments	13.4	**7,979,050**	31,265,886
Deferred input VAT – net		**18,830,040**	17,124,283
Deferred costs	13.4	**13,268,780**	14,274,204
Refundable deposits	10	**10,440,913**	10,899,453
Others	13.4	**8,835,036**	2,520,878
		228,312,081	237,055,863
Non-current:			
Intangible assets – net	13.1	**12,950,048**	13,053,772
Deposits to suppliers – net	13.4	**3,347,774**	3,347,774
Refundable deposits	10	**1,330,668**	3,243,420
Cash bond	13.2	**680,834**	680,834
Others	13.4	**8,022,631**	5,953,262
		26,331,955	26,279,062
		P 254,644,036	P 263,334,925

13.1 Intangible Assets

Intangible asset is subject to annual impairment testing and whenever there is an indication of impairment. In 2020, certain non-proprietary club shares were assessed to be impaired as determined by the management; hence, adequate amount of allowance for impairment has been recognized. The impairment loss is presented as Impairment loss on intangible assets under General and Administrative Expenses in the 2020 consolidated statement of income (see Note 18). No impairment loss on intangible asset was recognized in 2021 as the recoverable amount of intangible asset determined by management is higher than its carrying value.

Amortization charges amounting to P0.03 million for the year ended December 31, 2021 are presented as part of Depreciation and amortization under General and Administrative Expenses in the consolidated statements of income (see Note 18).

No intangible asset has been pledged as security for any liabilities. There were no other contractual commitments entered into in 2021 and 2020 related particularly for intangible asset.

13.2 Cash Bond

Cash bond represents deposits made with the Bureau of Customs for taxes and duties related to its importations. As of December 31, 2021, the total amount is currently demandable; however, the Group does not expect to refund the cash bond within 12 months from the end of the reporting period.

13.3 Others

Deferred costs represent cost of inventories which have not been charged to cost of sales pending the completion of the SVC's projects. In 2021, upon the resume of SVC's operations and continuation of all projects deferred in previous years due to the pandemic, significant amount of deferred cost has been charged to cost of sales and services.

Prepayments pertain to prepaid insurance, prepaid rent, and prepayments for professional fees, import charges and others.

Deposits to suppliers represent refundable amount paid by the Group to its suppliers for the distribution utilities provided to the Group.

Other current assets include deferred installation costs which pertain to the costs paid by the Group to its contractors for the installation of modular houses. Upon completion of installation, the cost is transferred to cost of sales. On the other hand, other non-current assets mostly pertain to land properties held by SMC which are subject to transfer to certain individuals under Republic Act (R.A.) No. 6657, Comprehensive Agrarian Reform Law of 1988.

14. INTEREST-BEARING LOANS

The Group's short-term interest-bearing loans pertains to loan of BRL which are denominated in USD. These loans are secured by a portion of the cash surrender value of investment in life insurance (see Note 6.4). However, as of December 31, 2020, BRL had fully settled these loans resulting to nil balance as of such date. No similar loans acquired in 2021.

Previously, the outstanding loans have maturities ranging from 30 days to one year, and bear interest at prevailing annual average market rates ranging from 2.07% to 3.90% in 2020. There was no outstanding interest as of December 31, 2021 and 2020.

The Group had no significant loan covenants related to these loans.

15. TRADE AND OTHER PAYABLES

This account consists of:

	Notes	2022	2021
Trade payables	25.1	**P 277,868,026**	P 303,700,294
Accrued expenses	14	**42,203,633**	33,615,799
Refundable deposits	25.2	**28,154,834**	29,326,745
Non-trade payables		**41,025,967**	19,725,970
Deferred output VAT		**15,184,292**	15,259,938
Unearned rental		**16,353,646**	12,710,990
Withholding taxes payable		**3,391,302**	7,743,868
Advances from customers		**5,244,941**	5,187,603
Rentals payable		**4,278,523**	4,278,523
Accrued dealers' incentives		**3,742,497**	3,742,497
Output VAT		**10,076,601**	3,596,297
Reserve for warranty costs		**2,299,736**	2,294,308
Retention payable		**263,620**	263,620
Other payables	9.1	**42,047,882**	14,035,280
		P 492,135,500	P **455,481,732**

Trade payables mainly represent obligations to various suppliers for the acquisition of goods, materials and supplies necessary for the Group's operations and productions.

Accrued expenses include amounts charged for rentals, outside services, salaries and other incidental operating expenses of the Group which are expected to be settled within the next reporting period.

The Group receives refundable deposits from various lessees. The long-term portion of the refundable deposits from various tenants is shown as a separate line item in the consolidated statements of financial position (see Note 16). Refundable deposits are remeasured at amortized cost using the effective interest rates ranging from 2.7% to 4.18% in 2021 at the inception of the lease term. No gain or loss on discounting was recognized in 2021. On the other hand, interest expense recognized from the amortization of refundable deposits amounting to P0.2 million for the year ended December 31, 2021 are presented as part of Finance costs under Other Income (Charges) account in the consolidated statements of income (see Note 20.1).

Unearned rentals represent advance payments received from lessees.

Nontrade payables are the obligations arising from transactions that are not within the ordinary course of business which includes lessees' deposits for electricity, communication costs, gasoline expenses, professional fees and others.

The outstanding deferred output VAT arises from the outstanding receivables on the Group's sale of services.

Accrued dealers' incentives pertain to rebates awarded to dealers once certain level of sales were achieved during a particular period.

Advances from customers pertain to the integration services in progress and customer deposit on sale of goods paid in advance to the Group.

A provision is recognized for expected warranty claims on products sold during the year based on the Group's past experience on the level of repairs and returns.

In 2021, additional provision for warranty claims is recognized and is presented under General and Administrative Expenses in the 2021 and 2019 consolidated statements of income (see Note 18). There was no additional provision in 2020.

Other payables primarily consist of payroll-related liabilities and due to government agencies for unpaid contributions for social security and other benefits of the Group's employees.

In 2021, the Group has written off certain trade and other payables as management assessed that these liabilities will not be collected anymore. The related gains amounting to P3.5 million for the year ended December 31, 2021 are presented as part of Other Gains – net in the 2021 consolidated statements of income (see Note 20.3).

Management considers the carrying amounts of trade and other payables recognized in the statements of financial position to be reasonable approximation of their fair values.

16. REFUNDABLE DEPOSITS

SMC, Kita and ZTC have long-term refundable deposits from various tenants totaling P26.2 million as of December 31, 2021. The refundable deposits are remeasured at amortized cost using the effective interest ranging from 3.48% to 5.50% at the inception of the lease terms.

In 2021, certain security deposits of Kita were offset against rental and other receivables amounting to P4.5 million.

These refundable deposits, with maturity of more than one year, are shown as a separate line item under Non-current Liabilities section of the consolidated statements of financial position.

17. COSTS OF SALES, SERVICES, RENTALS AND REAL ESTATE SALES

17.1 Cost of Sales

The details of this account are shown below.

	Notes	2022	2021
Merchandise inventories at beginning of year	8	**P 108,496,159**	P 217,962,817
Net purchases of merchandise inventories during the year	18, 25.1	**91,283,895**	141,000,592
Goods available for sale		**199,780,054**	358,963,409
Merchandise inventories at end of year	8	**(116,809,741)**	(239,555,794)
Net reversal of allowance for inventory obsolescence	8	**(-)**	(-)
	18	**P 82,970,313**	P 119,407,615

17.2 Cost of Services

The following are the breakdown of direct costs and expenses from rendering of services:

	Notes	2022	2021
Service fees	26.3	**P 29,902,906**	P 17,928,417
Materials, supplies and other consumables		**20,468,478**	20,068,251
Subcontracting services		**18,948,360**	18,066,380
Equipment cost	11		
Depreciation and amortization	10.1, 11	**13,291,098**	14,572,544
Salaries and employee benefits	21.1	**11,956,434**	12,713,488
Transportation and travel		**9,087,840**	4,966,631
Outside services		**5,114,631**	5,368,024
Communication, light and water		**4,982,153**	3,801,970
Food and beverage		**4,248,035**	1,754,572
Repairs and maintenance		**1,533,566**	1,387,570
Rentals	10.3	**1,436,387**	2,520,984
Insurance		**889,004**	708,763
Taxes and Licenses		**1,172,937**	282,291
Integration			
Others		**3,473,843**	2,544,351
	18	**P 126,505,672**	P 106,684,236

17.3 Cost of Rentals

The details of this account are as follows:

	Notes	2022	2021
Taxes and licenses	12	**P 23,427,213**	P 23,524,011
Rentals	10.3	**54,000**	689,982
Depreciation and amortization	11	**4,069,967**	3,862,865
Outside services		**2,544,475**	2,101,493
Communication usage service area		**1,769,094**	1,799,747
Repairs and maintenance	12	**1,100,986**	768,627

Salaries and employee benefits	21.1	**217,965**	217,965
Others	12	**2,384,937**	2,262,567
	18	**P 35,568,637**	P 35,227,257

Others primarily consists of labor costs, materials, supplies and transportation and travel expenses.

17.4 Cost of Real Estate Sales

This account pertains to the Group's cost of condominium units and parking lots amounting to P0.4 million for the year ended December 31, 2021 (see Note 18). No sale of real estate inventories occurred in 2022.

18. OPERATING EXPENSES BY NATURE

The details of operating expenses by nature are shown below.

	Notes	**2022**	2021
Net purchases of merchandise inventories	17.1, 25.1	**P 91,283,895**	P 141,000,592
Salaries and employee benefits	21.1, 21.2, 25.6	**48,252,765**	52,232,777
Changes in merchandise, finished goods and work-in-process inventories	17.1		
Service fees	26.3	**29,902,906**	17,928,417
Materials, supplies and other consumables		**27,255,497**	24,704,691
Depreciation and amortization	10.1, 11, 13.1	**21,124,348**	22,193,107
Outside services		**12,076,587**	13,443,494
Subcontracting services		**22,447,552**	18,974,506
Utilities and communication		**17,120,560**	14,766,278
Taxes and licenses		**40,710,475**	41,680,827
Transportation and travel		**4,445,078**	3,188,643
Rentals	10.3	**2,132,997**	3,562,004
Repairs and maintenance		**5,276,372**	4,979,575
Food and beverage		**4,248,035**	1,754,572
Advertising and promotions		**35,206**	613,542
Representation & entertainment		**1,318,874**	1,204,815
Insurance		**2,854,779**	2,759,368
Warranty claims		**60,488**	27,406
Excess of actual over standard input VAT		**11,513**	63,429
Changes in merchandise, finished goods and work- in- process inventories		(**8,313,582)**	**(** 21,592,977)
Reversal for impairment losses on trade and other receivables – net	6.7		
Others		**10,766,389**	9,602,629
		P 333,010,734	P 353,087,695

These expenses are classified in the consolidated statements of income as follows:

	Notes	2022	2021
Cost of sales	17.1	**P 82,970,313**	P 119,407,615
Cost of services	17.2	**126,505,672**	106,684,236
Cost of rentals	17.3	**35,568,637**	35,227,257
Cost of real estate sales	17.4	**-**	-
General and administrative expenses		**84,182,051**	80,624,675
Selling and distribution costs		**3,784,061**	11,143,912
		P 333,010,734	P 353,087,695

19. OTHER OPERATING INCOME (EXPENSE)

The breakdown of this account is as follows:

	Notes	2022	2021
Income from utilities charged to tenants		**P 9,195,998**	P 5,425,805
Common usage service area	25.2	**3,003,997**	3,127,909
Others		**505,110**	1,750,084
		P 12,705,105	P 10,303,798

20. OTHER INCOME (CHARGES) – Net

Other Income (Charges) – net include Finance Costs account, Finance Income account and Other Gains – net account as presented in the consolidated statements of income.

20.1 Finance Costs

This account consists of the following:

	Notes	2022	2021
Foreign currency exchange losses		**P 55,083**	P 522,771
Interest expense on lease liabilities	10.4	**102,984**	120,180
Others		**148,884**	99,722
		P 306,950	P 742,673

20.2 Finance Income

This account consists of the following:

	Notes	2022	2021
Foreign currency exchange gains		**P 2,848,712**	**P** 3,733,273
Interest income from cash and cash equivalents and short-term placements	5	- **4,901,625**	- 1,637,401
Interest income from real estate sale	6.1	**293,620**	269,476

		P 8,043,957	P 5,640,150

20.3 Other Gains – net

The breakdown of this account is as follows:

	Notes	2022	2021
Gain on sale of property and equipment	11	**1,214,345**	132,143
Gain (Loss) on sale of scrap		**1,554**	603
Others		**478,145**	654,462
		P 1,694,044	P 787,208

21. EMPLOYEE BENEFITS

21.1 Salaries and Employee Benefits Expense

Expenses recognized for salaries and employee benefits are summarized below (see Note 25.6).

	Notes	2022	2021
Short-term benefits		**P 48,252,765**	P 52,232,777
Post-employment benefits	21.2		
	18	**P 48,252,765**	P 52,232,777

These expenses are classified in the consolidated statements of income as follows:

	Notes	2022	2021
General and administrative expenses		**P 34,393,466**	P 32,863,019
Cost of services	17.2	**11,956,434**	12,713,488
Selling and distribution costs		**1,684,900**	6,438,305
Cost of rentals	17.3	**217,965**	217,965
	18	**P 48,252,765**	P 52,232,777

21.2 Post-employment Benefits

(a) Characteristics of the Defined Benefit Plan

The Parent Company and certain subsidiaries maintain a funded, tax-qualified, non-contributory post-employment benefit plan that is being administered by a trustee bank that is legally separated from the Group. The trustee bank managed the fund in coordination with the Group's management who acts in the best interest of the plan assets and is responsible for setting the investment policies. The post-employment plan covers all regular full-time employees.

The normal retirement age is 60 with a minimum of five years of credited service. The Group's post-employment benefit plan provides retirement benefits ranging from 100% to 115% of the final monthly covered compensation (average monthly basic salary during the last 12 months of credited service) for every year of credited service.

(b) Explanation of Amounts Presented in the Consolidated Financial Statements

Actuarial valuations are made annually to update the retirement benefit costs and the amount of contributions. All amounts presented below and in the succeeding pages are based on the actuarial valuation report obtained from an independent actuary in 2021.

The amounts of retirement benefit asset recognized in the consolidated statements of financial position are determined as follows:

	2021
Fair value of plan assets	P 210,714,273
Present value of obligation	(78,762,656)
	P 131,951,617

On the other hand, the retirement benefit obligation recognized by certain subsidiaries, which does not have an established post-employment benefit plan, amounted to P19.8 million as of December 31, 2021.

The movements in the fair value of plan assets of the Group are presented below.

	2021
Balance at beginning of year	P 214,321,329
Interest income	8,380,573
Return on plan assets (excluding amounts included in net interest)	(7,346,629)
Contributions	-
Benefits paid	(4,641,000)
Balance at end of year	P 210,714,273

The movements in the present value of the retirement benefit obligation recognized in the books are as follows:

	2021
Balance at beginning of year	P 103,535,494
Current service costs	13,232,696
Past service costs	(6,673,362)
Benefits paid	(4,641,000)
Benefits paid from book reserve	(1,902,497)
Interest costs	4,051,951
Remeasurements –	
Actuarial gains arising from:	
Changes in financial assumptions	(5,593,190)
Experience adjustments	(3,982,085)
Changes in demographic assumptions	(49,329)
Transfer from (to) affiliates	577,562

Balance at end of year	P 98,556,240

The significant actuarial gains in 2021 arising from the financial assumptions pertains to the effects of differences between the discount rates and salary projection rates used while the actuarial gains arising from experience adjustments pertains to the effects of differences between the previous actuarial assumptions and what has actually occurred, including the changes in those actuarial assumptions during the applicable reporting periods.

The plan assets consist of the following as of December 31, 2021 (see Note 25.7):

	2021
Debt securities –	
Philippines government bonds	P 209,295,708
UITF	1,624,482
Others	(205,917)
	P 210,714,273

The fair values of the debt securities are determined based on quoted market prices in active markets (classified as Level 1 of the fair value hierarchy). UITF and mutual funds are classified both as Level 2 while other assets are classified as Level 3 in the fair value hierarchy.

The plan assets earned a net return of P1.0 million for the year ended December 31, 2021.

Plan assets do not comprise any of the Group's own financial instruments or any of its assets occupied and/or used in its operations.

The components of amounts of post-employment benefit expense recognized in the consolidated statements of income and consolidated statements of comprehensive income in respect of the post-employment defined benefit plan are presented below.

	Notes	2021
Reported in consolidated statements of income:		
Current service cost	21.1	P 13,232,696
Past service cost	21.1	(6,673,362)
Net interest income	20.3	(4,328,622)
		P 2,230,712
Reported in consolidated statements of comprehensive income (loss):		
Actuarial gains (losses) from:		
Changes in financial assumptions		P 5,593,190
Changes in experience adjustments		3,982,085
Changes in demographic assumption		49,329
Return on plan assets (excluding amounts included in net interest)		(7,346,629)

	23.3	P 2,277,975

Current service cost and past service cost are presented as part of Salaries and employee benefit account under General and Administrative Expenses in the consolidated statements of income (see Note 18).

The net interest income is included in Other Gains – net 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:

	2021
Discount rates	4.85% - 5.09%
Salary increase rate	5.00%

Assumptions regarding future mortality are based on published statistics and mortality tables. The average remaining working lives of employees before retirement at the age of 60 ranges from 10.0 to 27.0 years for males and 3.0 to 27.0 years for females. These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of a zero coupon government bond with terms to maturity approximating to the terms of the post-employment obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) Risks Associated with the Retirement Plan

The plan exposes the Group to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

(i) Investment and Interest Risks

The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government 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.

(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 in the succeeding pages.

(i) *Sensitivity Analysis*

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the defined benefit asset as of December 31, 2021 and 2020:

	Impact on Post-employment Benefit Asset/Obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
December 31, 2021			
Discount rate	+/- 0.5%	(P 3,585,469)	P 3,209,637
Salary increase rate	+/- 1.0%	8,636,566	(5,148,699)

The sensitivity analysis above is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation recognized in the consolidated statements of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous years.

(ii) *Asset-liability Matching Strategies*

To efficiently manage the retirement plan, the Group through its Management Committee, ensures that the investment positions are managed in accordance with its asset-liability matching strategy to achieve those long-term investments are in line with the obligations under the retirement scheme. This strategy aims to match the plan assets to the retirement obligations by investing in long-term fixed interest securities (i.e., government or corporate bonds) with maturities that match the benefit payments as they fall due and in the appropriate currency. The Group actively monitors how the duration, and the expected yield of the investments are matching the expected cash outflows arising from the retirement obligations.

In view of this, investments are made in reasonably diversified 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 of December 31, 2021 is generally concentrated in government debt securities, although the Group also invests in UITF.

(iii) Funding Arrangements and Expected Contributions

The plan is currently overfunded by P132.0 million based on the latest actuarial valuation. On the other hand, the Group is yet to determine how much and when to fund its retirement benefit obligation as of December 31, 2021.

The Group does not expect to make any contribution to the plan during the next reporting period.

The maturity profile of undiscounted expected benefit payments from the plan follows:

	2021
Within one year	P 23,846,322
More than one year to 5 years	13,661,723
More than 5 years to 10 years	40,738,530
More than 10 years to 15 years	71,881,939
More than 15 years to 20 years	107,095,392
More than 20 years	708,613,514
	P 965,837,420

The weighted average duration of the defined benefit obligation at the end of the reporting period is 18 years.

22. TAXES

22.1 Registration with Economic Zone Authorities

(a) Registration with Clark Development Corporation (CDC)

Kita is registered with the CDC under RA No. 7227, *The Bases Conversion and Development Act of 1992*, as amended under R.A. No. 9400, *An Act Amending RA 7227, as amended, Otherwise Known as the Bases Conversion and Development Act of 1992, and for Other Purposes.* As a registered business enterprise within the Clark Freeport Zone (CFZ), Kita is exempted from national and local taxes and is entitled to tax and duty free importation of raw materials, equipment, household and personal items. In lieu of these taxes, Kita is subject to a 5% preferential tax rate on its registered activities until April 12, 2019. However, the 30% regular corporate income tax (RCIT) rate is applied to income which comes from sources other than Kita's registered activities. Kita is subject to RCIT or minimum corporate income tax (MCIT), whichever is higher, for all of its transactions starting April 13, 2019.

(b) Registration with Philippine Economic Zone Authority (PEZA)

SMC is registered with the PEZA as an Ecozone Facilities Enterprise at the Laguna International Industrial Park – Special Economic Zone (LIIP – SEZ). As an Ecozone Facilities Enterprise, SMC shall lease its building in LIIP – SEZ to PEZA-registered export enterprises located therein. SMC is subject to 5% tax on gross income earned on such facilities in lieu of all national and local taxes.

On July 1, 1998, the PEZA approved Starworld's registration as an Ecozone developer and operator of the CPIP – Special Economic Zone located at Bo. Parian, Calamba City. Under the terms of the registration and subject to certain requirements, Starworld shall be exempt from all national and local taxes and instead will be subject to the 5% preferential tax rate on gross income after allowable deductions.

22.2 Current and Deferred Taxes

On March 26, 2021, R.A. No. 11534, *Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act*, as amended, was signed into law and became effective beginning July 1, 2020. The following are the major changes brought about by the CREATE Act that are relevant to and considered by the Group:

- RCIT rate was reduced from 30% to 25% starting July 1, 2020; however, for entities with total assets of equal to or less than P100.0 million and taxable income of equal to or less than P5.0 million, the applicable RCIT rate is 20%;
- MCIT rate was reduced from 2% to 1% starting July 1, 2020 until June 30, 2023; and,
- the allowable deduction for interest expense was reduced from 33% to 20% of the interest income subjected to final tax.

The components of tax expense reported in the consolidated statements of income and consolidated statements of comprehensive income are as follows:

	2022	2021
Reported in consolidated statements of income:		
Current tax expense:		
RCIT at 25%/20% in 2021 and 30% in 2020 and 2019	**P 12,579,739**	P 6,529,383
Final tax at 20% and 15%	**2,062,338**	1,620,124
MCIT at 1% in 2021 and 2% in 2020 and 2019	**308,587**	296,189
Deferred tax expense (income)-net	-	137,085
Preferential tax at 5%	**-**	-
Effect of change in income tax rate	**(-)**	-
	P 14,950,664	P 8,582,781

The net deferred tax assets of certain subsidiaries as of March 31, 2022 and December 31, 2021 relate to the following:

Deferred tax assets:	
Allowance for inventory obsolescence	**P 6,931,674**
Allowance for impairment on trade and other receivables	**2,699,694**
Unrealized foreign currency loss	**(2,585,132)**
Fair value loss on investment property	**2,265,698**
Retirement benefit obligation	**1,105,856**

Accrued expenses		**935,625**
Provision for warranty claims		**573,577**
NOLCO		**415,951**
MCIT		**295,051**
PFRS 16 adoption		**262,507**
Deferred rental income		**-**
		12,900,501
Deferred tax liabilities:		
Accumulated depreciation on investment property		**(810,287)**
Equity investments in FVOCI		**-**
		(810,287)
Deferred tax assets – net	**P**	**12,090,214**

The net deferred tax liabilities of the Parent Company and other subsidiaries as of March 31, 2022 and December 31, 2021 relates to the following:

Deferred tax assets:		
Accumulated amortization on right-of-use asset	**P**	**9,619,378**
Allowance for impairment on trade and other receivables		**8,371,696**
Unamortized past service costs		**3,586,563**
Unearned rent income		**3,096,343**
NOLCO		**1,456,862**
Allowance for inventory obsolescence		**968,353**
MCIT		**406,477**
Impairment losses on property and equipment		**204,239**
Deferred rent income		**112,184**
Loss on investment in subsidiaries		**-**
Unrealized foreign currency loss		**-**
Impairment losses on trade and other receivables		**-**
Amortization of lease liabilities		**-**
Balance forwarded	**P**	**27,822,095**

Balance carried forward	**P**	**27,822,095**
Deferred tax liabilities:		
Fair value gains on investment property – net		**(881,586,963)**
Retirement benefit asset		**(30,264,597)**
Accumulated depreciation on investment property		**(17,802,791)**

Excess of FV over cost of property	**(12,211,529)**
Amortization of lease liabilities	**(10,454,819)**
Unrealized foreign currency gains	**(3,123,389)**
Accrued rent income	**(2,926,212)**
Changes in fair value of financial assets at FVOCI	**-**
Accumulated amortization on right-of-use asset	**-**
	(958,380,300)
Deferred tax liabilities – net	**(P 930,548,205)**

The components of net deferred tax expense for the year ended December 31, 2021 reported in the consolidated statements of income are as follows:

	2021
Allowance for impairment on trade and other receivables	P 26,142,587
Accumulated depreciation on investment property	(22,765,113)
Allowance for inventory obsolescence	13,415,250
Unearned rent income	6,382,910
Unrealized foreign currency gains (losses) – net	5,763,611
NOLCO	5,693,393
Amortization of lease liabilities	3,046,650
Retirement benefit asset	(2,923,419)
Fair value over deemed cost	(2,442,306)
Available for sale securities	(1,710,000)
Accumulated depreciation on right-of-use assets	(1,639,103)
PFRS 16 adoption	1,239,171
Fair value gains on investment property – net	1,255,188
Impairment loss on property and equipment	717,313
Impairment loss on investment in subsidiaries	(559,140)
Accrued expenses	344,324
Deferred rent income	340,962
Provision for warranty claims	(227,794)
Excess of MCIT over RCIT	177,410
Unamortized past service costs	89,590
Accrued income	(48,148)
Reserve for commission	-
Refundable deposits	-
	P 32,293,336

The deferred tax expense for the year ended December 31, 2021 amounting to P4.0 million in the consolidated statements of comprehensive income pertains to the tax effect of the changes in fair value of financial assets at FVOCI (AFS in 2017) and remeasurements of post-employment defined benefit plan (see Note 23.3).

The details of the Group's NOLCO are as follows:

Year Incurred	Amount	Applied Amount	Expired Amount	Remaining Balance	Valid Until
2021	P 138,523,393	P -	P -	P 138,523,393	2026

2020	166,054,076	(8,533,204)	-	157,520,872	2025
2019	287,916,072	(1,164,001)	-	221,023,840	2022
2018	226,621,411	(5,597,571)	(221,023,840)	-	
	P 819,114,952	**(P 15,294,776)**	**(P 221,023,840)**	**P 517,068,105**	

NOLCO incurred in 2021 and 2020 amounting to P138.5 million and P166.1 million, respectively can be claimed as a deduction from the gross income for five consecutive taxable years or until 2026 and 2025, respectively, in accordance with RA No. 11494, *Bayanihan to Recover as One Act*. NOLCO incurred in 2019 can be claimed as a deduction from the gross income for three consecutive years or until 2022.

The Group is subject to MCIT which is computed at 1% in 2021 of gross income, as defined under the tax regulations or RCIT, whichever is higher. The details of the Group's MCIT are as follows:

Year Incurred	**Amount**	**Applied Amount**	**Expired Amount**	**Remaining Balance**	**Valid Until**
2021	P 530,893	P -	P -	P 530,893	2026
2020	1,360,982	(458,706)	(902,276)	-	2025
2019	1,524,840	-	-	1,524,840	2022
2018	4,147,314	(579,109)	(3,568,205)	-	
	P 7,564,029	**(P 641,045)**	**(P 4,867,251)**	**P 2,211,625**	

The Group did not recognize the deferred tax assets on NOLCO, MCIT and other deductible temporary differences of certain subsidiaries as management has assessed that those subsidiaries may not be able to realize their related tax benefits within the prescribed availment period. The NOLCO, MCIT and other deductible temporary differences as of December 31 for which the related deferred tax assets have not been recognized by certain entities in the Group are shown below.

	2021	
	Amount	Tax Effect
NOLCO	P 92,035,445	P 23,048,188
Allowance for impairment of trade receivables	19,297,292	4,824,323
FVOCI	12,000,000	3,000,000
Unrealized foreign currency gains – net	(4,318,005)	(1,079,501)
Allowance for inventory obsolescence	1,648,408	412,102
Reserve for commission	1,281,128	320,282
Retirement benefit obligation	1,028,908	257,227
Unamortized past service cost	2,152,479	538,120
Allowance for impairment of intangible assets	272,127	68,032
MCIT	134,138	134,138
Allowance for impairment of land and land development cost	-	-
	P 125,531,920	P 31,522,911

In 2021, the Group claimed itemized deductions in computing its income tax due, except for SBC and ZTC, which opted to claim OSD in those years.

23. EQUITY

23.1 Capital Stock

The Parent Company has a total authorized capital stock of P5.0 billion divided into 5,000,000,000 shares with P1 par value.

On June 18, 1996, the Commission issued an Order approving the Registration Statement covering the securities which comprised the Parent Company's entire authorized capital stock. On September 4, 1996, the Parent Company's shares were listed in the PSE and the trading of offer shares commenced.

The Parent Company offered to the public 665,000,000 shares at an offer price of P5.85 per share. The offer shares consist of 524,475,000 primary shares (new shares) and 140,525,000 secondary shares (existing shares).

As of December 31, 2021 the Parent Company has issued shares of 2,030,975,000 (with P1 par value), of which, 462,782,704 shares are held by the public in 2021 and 2020, respectively. There are 4,231 holders of the listed shares which closed at P1.08 per share on December 31, 2021.

23.2 Retained Earnings

The BOD approved the declaration of cash dividends in 2019 as follows:

Date of Declaration	Stockholders of Record as of	No. of Shares Outstanding	Amount per Share	Total
August 8, 2019	August 31, 2019	1,821,542,000	P 0.06	P 109,292,520

The dividends were paid within the year of declaration and approval. There was no dividend declaration in 2021 and 2020. Retained earnings is restricted in the amount of P115.6 million as of December 31, 2021, 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	2022	2021
Balance at beginning of year		**50,287,013**	10,921,262
Currency exchange differences on translating financial statements of foreign operations		**18,972,048**	4,038,592
Balance at end of year		**P 69,259,061**	P 14,959,854

23.4 Subsidiary with Material Non-controlling Interest

Noncontrolling interests (NCI) pertain to the 25.0%, 27.0%, 50.0% and 50.0% equity ownership of minority stockholders in Skyworld, Interstar, Starworld and LIIP, respectively. The selected financial information (before inter-company eliminations) of Starworld and LIIP, which are considered the material NCI are shown below.

	Starworld 2021	LIIP 2021
Current assets	P 819,789,643	P 90,191
Non-current assets	779,067	-
Total assets	P 820,568,710	P 90,191
Current liabilities	P 169,615,385	P 8,039,271
Non-current liabilities	1,368,661	-
Total liabilities	P 170,984,046	P 8,039,271
Equity (capital deficiency) attributable to owners		

of the parent	P 324,792,332	(P 3,974,540)
NCI	P 324,792,332	(P 3,974,540)
Revenue	P 6,253,164	P -
Profit (loss) for the year attributable to owners of the parent	P 1,466,785	(P 25,036)
Profit (loss) for the year attributable to NCI	1,466,785	(25,036)
Profit (loss) for the year	2,933,570	(50,071)
Other comprehensive income (loss) for the year (all attributable to owners of the parent)	(112,045)	-
Total comprehensive income (loss) for the year attributable to owners of the parent	1,354,740	(25,036)
Total comprehensive income (loss) for the year attributable to NCI	1,466,785	(25,036)
Total comprehensive income (loss) for the year	P 2,821,525	(P 50,071)
Net cash used in operating activities	(P 3,262,472)	(P 18,992)
Net cash used in investing activities	(47,589,787)	-
Net cash from financing activities	-	12,242
	(50,852,259)	(6,750)
Effect of exchange rate on cash and cash equivalent	4,267,267	-
Net cash outflow	(P 46,584,992)	(P 6,750)

The corporate information of Starworld and LIIP, as well as the Parent Company's stockholding thereto, is provided in Note 1.2.

In 2021, cash dividend amounting to P40.1 million was declared to NCI and was paid in full in the same year. There was no dividend declaration in 2020.

Management determined that the difference between the respective equity ownership of minority stockholders over the equity of the aforementioned subsidiaries and the amount of NCI recognized in the consolidated statements of financial position is not material to the consolidated financial statements.

24. EARNINGS PER SHARE

Basic and diluted earnings for profit attributable to the Parent Company's stockholders are computed as follows:

	2022	2021
Net profit for the year attributable to the Parent Company's stockholders	**P 30,280,388**	P 16,054,789

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 per share – basic and diluted	**P 0.017**	P 0.009

There were no outstanding convertible preferred shares and bonds or other stock equivalents as of March 31, 2022 and December 31, 2021; hence, diluted earnings per share is equal to the basic earnings per share.

25. RELATED PARTY TRANSACTIONS

The Group's related parties include other companies owned by the Parent Company's majority stockholders and the Group's key management personnel as described below and in the succeeding pages. The summary of the Group's significant transactions in 2021, 2020 and 2019 with its related parties and the outstanding balances as of December 31, 2021 and 2020 are presented below and in the succeeding page.

Related Party Category	Notes	Amount of Transaction 2021	Outstanding Receivable (Payable) 2021
Related Parties Under Common Ownership:			
Purchase of mobile phones	25.1	P 101,445,462	(P 112,363,253)
Lease of real property	25.2	7,428,555	60,014
Advances to suppliers	25.1	4,029,423	66,665,995
Granting (collection) of business loans	25.3	4,000,000	5,500,000
Rendering of services	25.2, 25.9	3,505,631	203,778
Commissions	25.5	2,962,042	139,505,911
Sale of goods	25.8	1,675,060	29,834
Purchase of spare parts	25.1	995,878	(1,706,609)
Interest income	25.3	600,000	-
Purchase of supplies and services	25.1	505,342	234,884
Refundable deposits	25.2	106,305	(824,305)
Cash advances granted (paid)	25.4	-	2,386,851
Cash advances obtained	25.4	-	(1,881,570)

Related Party Category	Notes	Amount of Transaction 2021	Outstanding Receivable (Payable) 2021
Others:			
Key management personnel compensation	25.6	47,682,666	-

None of the companies under the Group is a joint venture. The Parent Company is not subject to joint control. Related parties that exercise significant influence over the Parent Company are AA Commercial, Inc. and AV Value Holdings Corporation.

Unless otherwise stated, the Group's outstanding receivables from and payables to related parties arising from advances, sale and purchase of goods, management services and other services, are unsecured, noninterest-bearing and generally settled in cash within 12 months from the end of the reporting period.

Based on the management assessment, certain receivables were found to be impaired using the provision matrix; hence, adequate amount of allowance for impairment have been recognized as of December 31, 2021 (see Note 25.4).

25.1 Purchase of Goods, Supplies and Services

In 2021, My Solid purchased mobile phones, tablets and accessories at prevailing market prices from Solid Trading Limited (STL), a related party under common ownership which is based in Hong Kong, amounting to P102.4 million, and recorded as part of Net purchases under Cost of Sales in the consolidated statements of income (see Note 17.1). The outstanding liabilities from these purchases amounting to P114.1 million as of December 31, 2021 are shown as part of Trade payables under the Trade and Other Payables in the consolidated statements of financial position (see Note 15).

Further, My Solid also made advanced payments to STL, which remained outstanding as of December 31, 2021 and are presented as part of Advances to suppliers under the Trade and Other Receivables account in the consolidated statements of financial position (see Note 6.2).

In 2021, SEC and SVC purchased electronic devices from Avid Sales Corporation (Avid), a related party under common ownership, totaling to P0.4 million. The related purchases were recorded as part of Net purchases under Cost of Sales in the consolidated statements of income (see Note 17.1). The outstanding liabilities for these purchases as of December 31, 2021 are shown as part of Trade payables under the Trade and Other Payables in the consolidated statements of financial position (see Note 15).

25.2 Lease of Real Property

SMC and OSSI leases out certain land and buildings and office space, respectively, to Avid, a related party under common ownership. Also, ZTC leases out its office space to TCL Sun Inc. Revenues arising from these transactions are presented as part of Rentals under the Revenues of the consolidated statements of income. The outstanding balances arising from rentals and services charges are presented as part of Rental receivables under the Trade and Other Receivables account in the consolidated statements of financial position (see Note 6.5).

Further, SMC and ZTC bill service charges to its related parties for common usage and service area and consumption of utilities. Charges arising from these transactions are presented as Common usage service area under Other Operating Income (Expense) in the consolidated statements of income (see Note 19).

Deposits received from the related parties are refundable at the end of the lease term of the agreements. These are presented as part of Refundable deposits under Trade and Other Payables account in the consolidated statements of financial position (see Note 15).

25.3 Granting of Loans

In prior years, SMFI granted unsecured business loan to Avid, a related party under common ownership, with the original principal loan amounting to P80.0 million. This business loan bears an annual interest rate of 8.0% in 2021. The loan matured on January 18, 2020, but was renewed on the same date, repayable until January 18, 2025, its new maturity date. Principal repayment related to this loan amounted to P4.0 million in 2021.

Total interest earned from these loans amounted P0.6 million for the year ended December 31, 2021 and is shown as part of Interest under Revenues section of the consolidated statements of income. The outstanding balance of business loans granted as of December 31, 2021 is shown as part of Loans receivables under Trade and Other Receivables account in the consolidated statements of financial position (see Note 6.3).

Based on management's evaluation, there were no impairment losses recognized on the outstanding loans receivables granted to related parties in 2021, 2020 and 2019.

25.4 Advances to and from Related Parties

In the normal course of business, certain subsidiaries of the Group grants and obtains unsecured, noninterest-bearing cash advances to and from related parties under common ownership for working capital requirements and other purposes.

The reconciliation of the carrying amounts of advances to related parties account with movements during the reporting periods is shown below.

	2022	2021
Balance at beginning of year	**P 2,386,851**	P 3,386,851
Impairment losses for the year	**(-)**	(1,000,000)
Balance at end of year	**P 2,386,851**	P 2,386,851

SEC has an outstanding receivable from CPD Access Corporation, a related party under common ownership, for returns arising from purchases made in prior years and is presented as part of Advances to Related Parties in the consolidated statements of financial position. In 2021, the Group recognized impairment loss from the advances amounting to P1.0 million which is presented as Impairment losses on advances to related parties under General and Administrative Expenses in consolidated statements of income (see Note 18).
On the other hand, no significant movement on the Group's advances from related parties in 2022 and 2021. Outstanding balance amounted to P1.9 million as of March 31, 2022 and December 31, 2021.

Outstanding balances with related parties are unsecured, noninterest-bearing, have no fixed repayment and settlement terms, except as disclosed in Note 28.3, and are presented as Advances to and from Related Parties account in the consolidated statements of financial position.

25.5 Transactions with STL

SVC earns commission from sales of STL 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, 2021 and 2020 is shown as part of Trade receivables under the Trade and Other Receivables account in the consolidated statements of financial position (see Note 6.1).

My Solid also earned commission income from STL at 10.7% of sales recognized by STL from its sale of My Solid's products. Commission income is presented as part of Rendering of Services in the consolidated statements of income. The outstanding receivables from these transactions, which are generally unsecured, noninterest-bearing and settled through cash are presented as part of Trade receivables under the Trade and Other Receivables account in the consolidated statements of financial position (see Note 6.1).

25.6 Transactions with the Retirement Fund

The Group has established a formal multi-employer retirement plan which is administered by a trustee bank, except for CBHI, GSHMI, My Solid, SGTC and ZTC, whose retirement fund remained unfunded as of December 31, 2021.

The retirement fund consists of government securities and UITF with fair values totaling P210.7 million as of December 31, 2021. The retirement fund neither provides any guarantee or surety for any obligation of the Group. The retirement fund also has no investments in the Parent Company's shares of stock which are listed for trading at the PSE.

The details of the contributions of the Group and benefits paid out by the plan to employees are presented in Note 21.2.

25.7 Sale of Goods

My Solid and SVC sells mobile phones, tablets and accessories, tapes and equipment to Avid. Revenues from said transactions are presented as part of Sale of Goods under Revenues in the consolidated statements of income. The outstanding receivables from these transactions which are generally unsecured, noninterest-bearing and settled through cash within 30 to 45 days are presented as part of Trade receivables under the Trade and Other Receivables account in the consolidated statements of financial position (see Note 6.1).

25.8 Rendering of Services

OSSI provides assembly, repair, warehousing and distribution services to Avid. Revenues from the said transactions amounting to P3.5 million for the year ended December 31, 2021 are presented as part of Rendering of Services under Revenues section of the consolidated statements of income. The outstanding receivables arising from these transactions, which are generally unsecured, noninterest-bearing and settled through cash amounted to P0.2 million as of December 31, 2021, and is presented as part of Trade receivables under the Trade and Other Receivables account in the consolidated statements of financial position (see Note 6.1).

25.9 Advances to Officers

In the ordinary course of business, the Group provided unsecured noninterest-bearing advances to its officers subject to liquidation. The outstanding receivable arising from these transactions are presented as part of Advances to officers and employees under Trade and Other Receivables account in the consolidated statements of financial position (see Note 6.2).

26. SIGNIFICANT CONTRACTS AND AGREEMENTS

26.1 Memorandum of Understanding with SPI

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

In-warranty services shall be rendered free of charge to customers. The actual cost of replacement parts related to in-warranty services shall be shouldered by Sony. Network support fees are billed at a fixed rate per month. The agreement is effective unless revoked by any of the parties.

Network support fees and in-warranty service fees relating to Sony products amounted to P95.3 million for the year ended December 31 2021 and are presented as part of Rendering of Services in the consolidated statements of income. Outstanding balances arising from these transactions amounted to P8.3 million and December 31, 2021, and are included as part of Trade receivables under the Trade and Other Receivables account in the consolidated statements of financial position (see Note 6.1).

26.2 Distributorship Agreement with Sony Corporation of Hong Kong Limited (Sony HK)

SVC has a non-exclusive Distributorship Agreement (the Agreement) with Sony HK, a corporation organized and existing under and by virtue of the laws of Hong Kong. Under the Agreement, SVC was designated by Sony HK as its non-exclusive distributor of Sony products in the Philippines. In addition, SVC shall provide the customers in the Philippines with repair and parts replacement services, including but not limited to repair and parts replacement services rendered by SVC which are covered under the 12 month-warranty period at its own costs and expenses. Management believes that the Agreement continues to be effective although no formal renewal has been made since 2007.

26.3 Management Agreement with Sky Cable Corporation

SBC and Sky Cable Corporation (SCC) agreed that the management and administration of the sale, assignment and transfer of its assets, equipment, contracts, permits, licenses and subscriber base (the "Assets") of SBC be entrusted to SCC. SCC, as the manager of the Assets, was given the overall power and responsibilities to handle all aspects necessary to carry out the administration and operations of the Assets and SBC, to accord the necessary additional authorizations, should the need arise.

Revenues arising from these transactions amounted to P3.0 million for the year ended December 31, 2021 and is presented as part of Rendering of Services under Revenues in the consolidated statements of income. The outstanding receivable amounted to P0.6 million as of December 31, 2021 and is included as part of Trade receivables under Trade and Other Receivables account in the consolidated statements of financial position (see Note 6.1). The related expense is presented as part of Service fees under Cost of Services section of the consolidated statements of income (see Note 17.2).

27. COMMITMENTS AND CONTINGENCIES

The following are the significant commitments and contingencies involving the Group:

27.1 Operating Lease Commitments – Group as Lessor

Certain subsidiaries lease out real estate properties under various non-cancellable lease agreements with terms ranging from 1 to 10 years. Some of these lease transactions are subject to 5% to 10% escalation rate. The future minimum lease receivables under these non-cancellable operating leases as of December 31 are presented below.

	2021

Within one year	P	168,729,117
After one year but not more than two years		80,887,470
After two year but not more than three years		71,824,818
After three year but not more than four years		16,303,437
After four year but not more than five years		9,832,680
More than five years		44,908,164
	P	392,485,686

The total rent income recognized from these transactions amounted to P240.8 million, for the year ended December 31, 2021 including rent income resulting from the application of the straight-line basis of revenue recognition in accordance with PFRS 16 (previously PAS 17) in 2021 and are presented as Rentals under Revenues section of the consolidated statements of income.

27.2 Operating Lease Commitments – Group as Lessee

The Group has non-cancellable operating lease agreements with various lessors covering several parcels of land, warehouses and offices. These leases have terms of 25 years expiring in 2019. Lease payments are fixed for the first five years. Thereafter, the lease on land is subject to 100% escalation rate every five years while the lease on land improvements is subject to an annual escalation rate of 10%.

Consequently, upon the adoption of PFRS 16 in 2019, the Group's lease transactions were reassessed and related disclosures are presented and summarized in Note 10.

27.3 Purchase Commitments

In 2007, ZTC has entered into several construction contracts with various subcontractors for the construction of Tri-Towers condominium building. The construction of Tower 1 and Tower 2 were completed in 2008 and 2012, respectively, while the construction of Tower 3 has not yet started, yet it has incurred expenses for the planning phase as of December 31, 2021 (see Note 9.2).

27.4 Possible Impact of Government Project

In 2005, ZTC received a notification from the Urban Roads Projects Office (URPO) of the Department of Public Works and Highways (DPWH) that the location of the Tri Towers condominium building project might be affected by the plans of the National Government of the Philippines for the construction of the proposed 2nd Ayala Bridge (see Note 9.2). However, the URPO stated that it has not yet undertaken the detailed engineering design that will ascertain if the location of the ZTC's property will be affected by the road's right-of-way. The Group decided to continue the Tri Towers condominium building project despite the notification received from the DPWH because management believes that the likelihood of a possible expropriation of the land is remote given the current status of the government project. There were no updates on this transaction as of December 31, 2021.

27.5 Deficiency Tax Assessments

In prior years, My Solid, SBC and SVC received deficiency tax assessments from the Bureau of Internal Revenue (BIR) indicating various deficiency taxes of those companies and MyTel Mobility Solutions, Inc. (MyTel). MyTel was absorbed by My Solid during its merger on

2012 resulting to the transfer of MyTel's assets and liabilities to My Solid by operations of law. These assessments are currently under protest with the BIR and/or these companies have filed for reinvestigation and/or review with the Court of Tax Appeals.

The management believes that My Solid, SBC and SVC have enough evidence to support their claims and that the outcome of such tax assessments will not have a material impact in the Group's consolidated financial statements; hence, no provision was recognized as of December 31, 2021.

27.6 Purchase Agreement with Asia Travel Philippines, Inc. (ATPI)

In 2018, the amount of unearned portion amounting to P0.2 million with ATPI as of December 31, 2017 was offset against the remaining receivables from the ATPI when CBHI received a notice of liquidation and insolvency in February 2019 after numerous attempts to collect the amount due. The unearned portion with ATPI is presented as part of Other Payables under Trade and Other Payables account in the consolidated statements of financial position (see Note 15).

27.7 Others

The Group has unused credit facilities amounting to P1.1 billion in 2021.

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, 2021, management is of the opinion that losses, if any, that may arise from these commitments and contingencies will not have a material effect on the Group's consolidated financial statements.

28. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks in relation to financial instruments. The Group's financial assets and liabilities by category are summarized in Note 29. The main types of risks are market risk, credit risk and liquidity risk.

The Group's risk management is coordinated with its BOD and focuses on actively securing the Group's short to medium-term cash flows by minimizing the exposure to financial markets. Long-term financial investments are managed to generate continuous returns.

The Group does not engage in the trading of financial assets for speculative purposes, nor does it write options. The most significant financial risks to which the Group is exposed to are described below and in the succeeding pages.

28.1 Market Risk

The Group is exposed to market risk through its use of financial instruments and specifically to foreign currency risk, interest rate risk and certain other price risk which result from its operating, investing and financing activities.

(a) Foreign Currency Risk

Most of the Group's transactions are carried out in Philippine pesos, its functional currency. Exposures to currency exchange rates arise from the Group's foreign currency denominated trade and other receivables, interest-bearing loans and trade and other payables, which are primarily denominated in USD. The Group also holds USD-denominated cash and cash equivalents.

To mitigate the Group's exposure to foreign currency risk, non-Philippine peso cash flows are monitored.

Foreign currency-denominated financial assets and financial liabilities, translated into Philippine pesos at the closing rate are as follows:

	2021	2021
Financial assets	**P 333,372,183**	P 192,856,742
Financial liabilities	**(120,352,954)**	(115,319,567)
Short-term exposure	**P 213,019,229**	P 77,537,175

The following table illustrates the sensitivity of the Group's profit before tax in 2021, 2020 and 2019 with respect to changes in the exchange rates of Philippine peso against foreign currencies. The percentage changes in rates have been determined based on the average market volatility in exchange rates, using standard deviation, in the previous 12 months prior to the end of the reporting period at a 99% confidence level.

	2022		2021	
	Reasonably Possible Change in Rate	**Effect in Profit Before Tax**	Reasonably Possible Change in Rate	Effect in Profit Before Tax
PHP – USD	26.65%	**P 56,772,323**	23.06%	P 17,878,032

If the Philippine peso had strengthened against the USD, with all other variables held constant, the Group's profit before tax would have been lower by P56.8 million, P17.9 million in 2022, and 2021, respectively. Conversely, if the Philippine peso had weakened against the USD by the same percentage, with all variables held constant, profit before tax ty would have been higher in 2022 and 2021 by the same amount.

Exposures to foreign exchange rates vary during the period depending on the volume of foreign currency denominated transactions. Nonetheless, the analysis above is considered to be a reasonable estimation of the Group's currency risk.

(b) Interest Rate Risk

As of December 31, 2021, the Group is exposed to changes in market interest rates through its cash and cash equivalents and short-term placements, 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 before tax for the year to a reasonably possible change in interest rates of +/-2.09% in 2022 and +/-1.78% in 2021 . 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 2.09% and 1.78%, before tax in 2022 and 2021, would have increased by P93.1 million, P92.8 million, respectively. Conversely, if the interest rate decreased by the same percentages, profit before tax in 2022 and 2021 would have been lower by the same amounts.

(c) Other Price Risk

The Group's market price risk arises from its investments carried at fair value (i.e., financial assets measured at FVOCI). The Group manages exposures to price risk by monitoring the changes in the market price of the investments and at some extent, diversifying the investment portfolio in accordance with the limit set by management.

28.2 Credit Risk

Credit risk is the risk that the counterparties may fail to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments arising from granting loans and selling goods and services to customers including related parties, placing deposits with banks.

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. Where available at a reasonable cost, external credit ratings and/or reports and other counterparties are obtained and used. The Group's policy is to deal only with creditworthy counterparties. In addition, for a significant proportion of real estate sales, advance payments are received to mitigate credit risk.

The maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown in the consolidated statements of financial position and in the detailed analysis provided in the notes to the consolidated financial statements, as summarized below.

	Notes	**2022**	2021
Cash and cash equivalents	5.1	**P 2,013,702,269**	P 2,749,788,562
Short-term placements	5.2	**2,444,649,399**	1,702,458,454
Trade and other receivables – net*	6	**1,083,164,795**	1,051,111,525
Investment in bonds	7.2	**20,000,000**	20,000,000
Refundable deposits**	13	**11,771,581**	14,142,873
Advances to related parties	25.4	**2,359,500**	2,386,851
Deposit to suppliers**	13	**3,347,774**	3,347,774
Cash bond**	13	**680,834**	680,834
		P 5,579,676,152	P 5,543,916,873

* *Except for Advances to supplier and Advances to officers and employees*
** *Presented as part of Other Assets*

The Group's management considers that all the above financial assets that are not impaired or past due at the end of each reporting period are of good credit quality. None of the Company's financial assets are secured by collateral or other credit enhancements, except for cash and cash equivalents as described below.

(a) Cash and Cash Equivalents and Short-term Placements

The credit risk for cash and cash equivalents and short-term placements in the consolidated statements of financial position, is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. Included in the cash and cash equivalents are cash in banks and cash equivalent with maturities of less than three months, and short-term placements which are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P0.5 million for every depositor per banking institution.

(b) Trade and Other Receivables

The Group applies the simplified approach in measuring ECL which uses a lifetime expected loss allowance for all trade receivables and other receivables.

With respect to other receivables from third parties, management assessed that these financial assets have low probability of default since the Group can apply the related payables to these counterparties in case it defaults.

For loans receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Based on historical information about borrower default rates, management considers the credit quality of loans receivables that are not past due or impaired in assessing the credit risk.

To measure the ECL, trade and other receivables have been grouped based on shared credit risk characteristics and the days past due (age buckets). The Group also concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the other receivables as it shares the same credit risk characteristics.

The calculation of ECL incorporates forward-looking information. The Group has performed historical analysis and identified the key economic value factor affecting credit risk and ECL for the loan portfolio.

On that basis, the loss allowance as of December 31, 2021 and 2020 was determined based on months past due, for trade and other receivables (except advances to suppliers and officers and employees, interest receivables and cash surrender value of investment in life insurance) are as follows:

	Not more than 60 days	More than 60 days but not more than 90 days	More than 90 days but not more than 120 days	More than 120 days	Total
December 31, 2021					
Expected loss rate	0.21%	10.41%	25.51%	100.43%	
Gross carrying amount	P 200,975,667	P 25,480,821	P 16,300,700	P 99,927,861	P 342,685,050
Loss allowance	469,776	2,651,541	4,158,434	100,360,466	107,640,217

The reconciliation of allowance for impairment on trade and other receivables at the beginning and end of 2021 is presented in Note 6.7.

(c) Advances to Related Parties

For intercompany receivables that are repayable on demand, the ECL is based on the assumption that repayment of the receivables is demanded at the reporting date. The management determines the probability of collection upon demand. If a related party is unable to make repayment, the management considers the manner of recovery (i.e., sustained operations, availability of liquid and illiquid asset, etc.) to measure the ECL.

In 2021 and 2020, the Group recognized impairment losses on advances to related parties amounting to P1.0 million and 5.7 million, respectively, which are presented as Impairment loss on advances to related parties under General and Administrative Expenses in 2021 and

2020 consolidated statements of income (see Note 18). There was no impairment loss recognized in 2019.

(d) Refundable and Other Deposits

With respect to refundable and other deposits, management assessed that these financial assets have low probability of default since these relate to reputable power and water distribution companies (i.e., with high quality external credit rating). Moreover, the Group has operating lease contracts as lessee with the counterparty lessors, wherein the Group can apply such deposits to future lease payments in case of defaults.

(e) Investment in Debt Securities

Debt securities include investment in bonds measured at amortized cost are considered to have low credit risk, and therefore, the loss allowance during the period is determined to be equivalent to 12 months ECL. Management considers "low credit risk" for listed bonds to be an investment grade credit rating with at least one major rating agency. Other instruments are considered to be low credit risk when they have a low risk of default, and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

No impairment loss on debt securities classified as financial assets at amortized cost has been recognized in 2021 since the bonds are in good credit standing as of December 31, 2021.

28.3 Liquidity Risk

Liquidity risk is the risk that cash may not be available to meet operating requirements and to pay obligations when due at a reasonable cost. Prudent liquidity risk management requires maintaining sufficient cash and credit facilities at reasonable cost to satisfy current requirements whenever the need arises. The Group aims to maintain flexibility in funding by keeping committed credit lines available.

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 6-month and one-year period are identified monthly.

The Group maintains cash to meet its liquidity requirements for up to 60-day periods. Excess cash is invested in short-term placements. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

As of December 31, 2021 and 2020, the Group's financial liabilities [except for lease liabilities (see Note 10.2)] have contractual maturities, which are presented below and in the succeeding page.

	Current		Non-current
	Within 6 Months	**6 to 12 Months**	**1 to 5 Years**
2022			
Trade and other payables	**P 397,537,100**	P -	P -
Advances from related parties	**1,854,119**	-	-
Refundable deposits	-	-	**26,297,253**
	P 399,391,219	**P -**	**P 26,297,253**

2021

Trade and other payables	P 394,653,448	P -	P -
Advances from related parties	1,881,570	-	-
Refundable deposits	-	-	26,244,550
	P 396,535,018	P -	P 26,244,550

The 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.

		2022		2021	
	Notes	**Carrying Amounts**	**Fair Values**	Carrying Amounts	Fair Values
Financial assets					
At amortized cost:					
Cash and cash equivalents	5	**P 2,013,702,269**	**P 2,013,702,269**	P 2,749,805,227	P 2,749,805,227
Short-term placements	5	**2,444,649,399**	**2,444,649,399**	1,702,458,454	1,702,458,454
Trade and other receivables – net	6	**1,083,164,795**	**1,083,164,795**	1,051,111,525	1,051,111,525
Investment in bonds	7.2			20,000,000	20,000,000
Refundable deposits	13	**11,771,581**	**11,771,581**	14,142,873	14,142,873
Advances to related parties	25.4	**2,359,500**	**2,359,500**	2,386,851	2,386,851
Deposit to suppliers	13	**3,347,774**	**3,347,774**	3,347,774	3,347,774
Cash bond	13	**680,834**	**680,834**	680,834	680,834
		5,559,676,152	**5,559,676,152**	5,543,916,873	5,543,916,873
Financial assets at FVOCI –	7.1	**27,400,000**	**27,400,000**	27,400,000	27,400,000
		P 5,587,076,152	**P 5,587,076,152**	P 5,571,316,873	P 5,571,316,873
Financial liabilities					
At amortized cost:					
Trade and other payables	15	**P 397,337,100**	**P 397,537,100**	P 394,653,448	P 394,653,448
Refundable deposits	16	**26,297,253**	**26,297,253**	26,244,550	26,244,550
Lease liabilities	10.2	**5,477,360**	**5,477,360**	6,590,349	6,590,349
Advances from related parties	25.4	**1,854,119**	**1,854,119**	1,881,570	1,881,570
		P 431,165,832	**P 431,165,832**	P 429,369,917	P 429,369,917

See Note 2.5 for a description of the accounting policies for financial assets and financial liabilities, respectively, including the determination of fair values. A description of the Group's risk management objectives and policies for financial instruments is provided in Note 28.

29.2 Offsetting of Financial Instruments

The Group has not set off financial instruments as of March 31, 2022 and December 31,2021 and it does not have relevant offsetting arrangements. Currently, financial assets and financial liabilities are settled on a gross basis; however, each party to the financial instrument (particularly related parties) may have the option to settle all such amounts on a net basis in the event of default of the other party through approval by the respective BODs and stockholders of both parties.

The following financial assets presented as part of Advances to Related Parties account can be offset by the amount of outstanding Advances from Related Parties account in the consolidated statements of financial position:

	Note	Gross amounts recognized in the consolidated statements of financial position	Related amounts not set off in the consolidated statements of financial position	Net amount
Advances to related parties:	25.4			
March 31, 2022		**P 2,359,500**	**P -**	**P 2,359,500**
December 31, 2021		2,386,851	-	2,386,851
Advances from and due to related parties:	25.4			
March 31, 2022		**P 1,854,119**	**P -**	**P 1,854,119**
December 31, 2021		1,881,570	-	1,881,570

For financial assets and financial liabilities subject to enforceable master netting agreements or similar arrangements above, certain agreements between the Group and counterparties allows for net settlement of the relevant financial assets and financial liabilities when both parties elect to settle on a net basis. In the absence of such an election, financial assets and financial liabilities will be settled on a gross basis, however, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party.

30. FAIR VALUE MEASUREMENTS AND DISCLOSURES

30.1 Fair Value Hierarchy

In accordance with PFRS 13, Fair Value Measurement, the fair value of financial assets and financial liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value. The fair value hierarchy has the following levels as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the financial asset or financial liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,

- Level 3: inputs for the financial asset or financial liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or financial liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.
For investments which do not have quoted market price, the fair value is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market of another instrument which is substantially the same after taking into account the

related credit risk of counterparties or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Group uses valuation technique, it maximizes the use of observable market data where it is available and relies as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

30.2 Financial Instruments Measured at Fair Value

The Group's financial assets at FVOCI include proprietary golf club shares, which are categorized within Level 2 as their prices are not derived from market considered due to lack of trading activities among market participants at the end or close to the end of the reporting period. As of March 31, 2022 and December 31, 2021 and 2020, the Group's financial assets at FVOCI measured at fair value amounted to P27.4 million (see Note 7.1).

For unquoted equity securities classified as financial assets at FVOCI, the financial assets are measured at cost; hence, these assets are not included within the fair value hierarchy.

The Group has no financial liabilities measured at fair value as of March 31, 2022 and December 31, 2021. Also, there were neither transfers between Levels 1 and 3 nor changes in the carrying amount of Level 2 instruments in both years.

30.3 Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed

The tables below summarize the fair value hierarchy of the Group's financial assets and financial liabilities which are not measured at fair value in the consolidated statements of financial position but for which fair value is disclosed.

	Notes	Level 1	Level 3	Total
2022				
Financial Assets				
At amortized cost:				
Cash and cash equivalents	5	**P 2,013,702,269**	P -	**P 2,013,702,269**
Short-term placements	5	**2,444,649,399**	-	
Trade and other receivables – net	6	-	**1,083,164,795**	**1,083,164,795**
Investment in bonds	7.2		-	
Refundable deposits	13	-	**11,771,581**	**11,771,581**
Advances to related parties	25.4	-	**2,359,500**	**2,359,500**
Deposit to suppliers	13	-	**3,347,774**	**3,347,774**
Cash bond	13	-	**680,834**	**680,834**
		P 4,458,351,668	**P 1,101,324,484**	**P 5,559,676,152**
Financial Liabilities				
At amortized cost:				
Trade and other payables	15	P -	**P 397,537,100**	**P 397,537,100**
Refundable deposits	16	-	**26,297,253**	**26,297,253**
Lease liabilities	10.2	-	**5,477,360**	**5,477,360**
Advances from related parties	25.4	-	**1,854,119**	**1,854,119**
		P -	**P 431,165,832**	**P 431,165,832**
2021				
Financial Assets				
At amortized cost:				
Cash and cash equivalents	5	P 2,749,805,227	P -	P 2,749,805,227
Short-term placements	5	1,702,458,454	-	1,702,458,454
Trade and other				

receivables – net	6	-	1,051,111,525	1,051,111,525
Investment in bonds	7.2	20,000,000	-	20,000,000
Refundable deposits	13	-	14,142,873	14,142,873
Advances to related parties	25.4	-	2,386,851	2,386,851
Deposit to suppliers	13	-	3,347,774	3,347,774
Cash bond	13	-	680,834	680,834
		P 4,472,263,681	P 1,071,669,857	P 5,543,916,873
Financial Liabilities				
At amortized cost:				
Trade and other payables	15	P -	P 394,653,448	P 394,653,448
Refundable deposits	16	-	26,244,550	26,244,550
Lease liabilities	10.2	-	6,590,349	6,590,349
Advances from related parties	25.4	-	1,881,570	1,881,570
		P -	P 429,369,917	P 429,369,917

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 fair value of the Group's land and improvements and building and improvements classified under Investment Properties (see Note 12) are determined on the basis of the appraisals performed by Royal Asia Appraisal Corporation, an independent appraiser with appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. To some extent, the valuation process was conducted by the appraisers in discussion with the Group's management with respect to the determination of the inputs such as the size, age, and condition of the land and buildings, and the comparable prices in the corresponding property location. In estimating the fair value of these properties, management takes into account the market participant's ability to generate economic benefits by using the assets in their highest and best use. Based on management assessment, the best use of the Group's non-financial assets indicated above is their current use.

The fair value of these non-financial assets was determined based on the following approaches (see Note 12):

(a) Fair Value Measurement for Land and Improvements

The Level 3 fair value of land and improvements amounted to P3,707.7 million and P3,170.9 million as of December 31, 2021 and 2020, respectively, and was derived through appraisals by independent valuation specialists using market-based valuation approach where prices of comparable properties are adequate for specific market factors such as location and condition of the property.

(b) Fair Value Measurement for Building and Building Improvements and Construction in Progress

The Level 3 fair value of the buildings and improvements under Investment Property account amounted to P818.9 million as of March 31, 2022 and December 31, 2021. On the other hand, the Level 3 fair value of the construction in progress under Investment Property account amounted to P177.9 million and P112.2 million as of March 31, 2022 and December

31, 2021, respectively. These fair values were determined using the cost approach that reflects the cost to a market participant to construct an asset of comparable usage, construction standards, design and layout, adjusted for obsolescence. The more significant inputs used in the valuation include direct and indirect costs of construction such as but not limited to, labor and contractor's profit, materials and equipment, surveying and permit costs, electricity and utility costs, architectural and engineering fees, insurance and legal fees. These inputs were derived from various suppliers and contractor's quotes, price catalogues, and construction price indices. Under this approach, higher estimated costs used in the valuation will result in higher fair value of the properties.

There has been no change to the valuation techniques used by the Group during the year for its non-financial assets. Also, there were no transfers into or out of Level 3 fair value hierarchy in 2021.

31. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group sets the amount of capital in proportion to its overall financing structure, i.e., equity and total liabilities, excluding amounts advances from related parties. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the carrying amount of equity as presented on the face of the consolidated statements of financial position. The Group's goal in capital management is to maintain a debt-to-equity structure ratio of not higher than 1:1 on a monthly basis. The computation of the Group's debt-to-equity ratio is presented below.

	2022	2021
Total liabilities (excluding advances from related parties)	**P 1,494,472,369**	P 1,450,097,560
Total equity	**11,582,033,814**	11,533,191,316
	0.13 : 1.00	0.13 : 1.00

As of December 31, 2021,, the Group is not subject to any externally-imposed capital requirements, except for SMFI. 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 of December 31, 2021.

SOLID GROUP INC. AND SUBSIDIARIES
Schedule of Financial Soundness Indicators
March 31, 2022

RATIO	FORMULA	Unaudited as of March 31, 2022		Audited as of December 31, 2021	
Current ratio	Current Assets / Current Liabilities	5,606,672,271 / 516,808,586	**10.85**	5,581,405,320 / 472,513,931	**11.81**
Acid Test ratio	Quick Assets (Cash & Cash Equivalents + Short term Placements + Trade Receivables) / Current Liabilities	4,816,267,225 / 516,808,586	**9.32**	4,779,294,390 / 472,513,931	**10.11**
Solvency ratio	Total Liabilities / Total Assets	1,496,326,488 / 13,078,360,302	**0.11**	1,451,979,130 / 12,985,170,456	**0.11**
Debt to Equity ratio	Total Liabilities (excluding advances from related parties) / Total Equity	1,494,472,369 / 11,582,033,814	**0.13**	1,450,097,560 / 11,533,191,326	**0.13**
Gearing ratio	Financial Debt / Total Equity	- / 11,582,033,814	**-**	- / 11,533,191,326	**-**
Asset to Equity ratio	Total Assets / Total Equity	13,078,360,302 / 11,582,033,814	**1.13**	12,985,170,456 / 11,533,191,326	**1.13**

RATIO	FORMULA	Unaudited for the period ended March 31, 2022		Unaudited for the period ended March 31, 2021	
Interest Coverage ratio	EBIT / Interest Expense	44,924,088 / 102,984	**436.23**	25,027,302 / 120,180	**208.25**
Operating Margin	Operating Profit (Loss) / Total Revenues	35,390,053 / 355,695,682	**9.95%**	19,222,437 / 362,006,334	**5.31%**
Net Profit Margin	Net Profit (Loss) after Tax / Total Revenues	29,870,440 / 355,695,682	**8.40%**	16,324,341 / 362,006,334	**4.51%**
Return on Total Assets	Net Profit (Loss) after Tax (annualized) / Average Total Assets	119,481,760 / 13,031,765,379	**0.92%**	65,297,364 / 12,344,650,236	**0.53%**
Return on Equity	Net Profit (Loss) after Tax (annualized) / Total Equity	119,481,760 / 11,582,033,814	**1.03%**	65,297,364 / 10,876,674,575	**0.60%**

SOLID GROUP INC.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of **Solid Group Inc. and Subsidiaries** is responsible for the preparation and fair presentation of the consolidated financial statements, including the schedules attached therein, for the years ended December 31, 2021 and 2020, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

JASON S. LIM	**SUSAN L. TAN**	**VINCENT S. LIM**
Chairman of the Board	President & Chief Executive Officer	SVP & Chief Financial Officer
Passport No. P1105245B	Passport No. P5617366A	Passport No. P4677771B
Date/Place Issued:	Date/Place Issued:	Date/Place Issued:
March 19, 2019, Manila	January 15, 2018, Manila	February 4, 2020, Manila

Signed this 21 day of APR 2022 2022.

SUBSCRIBED AND SWORN to before me this 21 day of APR 2022, affiants exhibiting to me their passport with details shown above.

Doc No. 337;
Page No. 69;
Book No. 212;
Series of 2022

ATTY. RAYMOND A. RAMOS
COMMISSION NO. M-239
NOTARY PUBLIC FOR MAKATI CITY
UNTIL JUNE 30, 2022 PER B.M. NO. 3795
11 KALAYAAN AVENUE EXTENSION,
BARANGAY WEST REMBO, MAKATI CITY
SC Roll No. 62179/04-26-2013
IBP NO. 171365/01-03-2022/Pasig City
PTR NO. MKT 8852502/01-03-2022/Makati City
MCLE Compliance No. VI-0007878/4-06-2018

P&A Grant Thornton

FOR SEC FILING

Consolidated Financial Statements and Independent Auditors' Report

Solid Group Inc. and Subsidiaries

December 31, 2021, 2020 and 2019

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

T +63 2 8988 2288

Report of Independent Auditors

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

Opinion

We have audited the consolidated financial statements of Solid Group Inc. and Subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, 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, 2021, and the notes to consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021 and 2020, and their consolidated financial performance and their consolidated cash flows for each of the three years in the period ended December 31, 2021 in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audits of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 1 to the consolidated financial statements, which describes management's assessment of the continuing impact on the Group's consolidated financial statements of the business disruptions brought by the COVID-19 pandemic. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

(a) Valuation of Investment Properties at Fair Value

Description of the Matter

The Group's investment properties consist mainly of land and improvements, and buildings and improvements held for lease under operating lease arrangements. The Group's investment properties are accounted for under the fair value model. As at December 31, 2021, the Group's investment properties amounted to P4,638.8 million representing 35.7% of the total consolidated assets. In determining the fair value of investment properties, management engaged the services of professional and independent appraiser, with sufficient experience with respect to both the location and the nature of the investment properties, which uses relevant valuation methodologies.

The valuation of investment properties was considered as a key audit matter as the amount is material to the consolidated financial statements, and that the processes of determining the fair value involves significant estimates and assumptions, and engages the work of a valuation expert.

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

How the Matter was Addressed in our Audit

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

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

(b) Revenue Recognition for Sale of Goods and Rendering of Services

Description of the Matter

The Group recognizes revenue only when (or as) the performance obligation to transfer control of the promised goods or services is satisfied. The transfer of control can occur over time or at a point in time. For the year ended December 31, 2021, the Group's revenue from sale of goods and rendering of services amounted to P595.2 million and P676.2 million, respectively. Since the revenue from sale of goods and rendering of services is significant and susceptible to fraud or error that could cause material misstatements to the consolidated financial statements, we consider this as a key audit matter.

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

How the Matter was Addressed in the Audit

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

- obtaining an understanding of the Group's revenue transactions by reviewing revenue contracts and revenue transaction processes and testing of design effectiveness of the internal controls related to the process of recording sale and receipts, which include inquiry and observation, and performing walkthrough of controls of indicating processing marked on source documents and comparing details of amounts entered to source documents;

- evaluating appropriateness of the Group's revenue recognition policy in accordance with PFRS 15, *Revenue from Contracts with Customers*;

- testing sales invoices, delivery receipts, cash receipt sales and other related supporting documents, on a sample basis, of revenue transactions throughout the current period to determine whether transactions are valid and existing;

- performing sales cut-off test, including, among others, examining sales transactions near period end, and analyzing and reviewing delivery orders, commercial invoices, sales returns, credit memos and other receivable adjustments subsequent to the end of the reporting period to determine whether revenues are appropriately recognized in the proper period;

- confirming receivables, on sample basis, using positive confirmations, performing alternative procedures for non-responding customers such as, but not limited to, examining cash receipts or sales and billing invoices;

- performing detailed analysis of revenue components on a per month and per product basis and financial key ratio analysis related to revenues such as, but not limited to, comparing the current year's revenue as a percentage of total revenues, receivable turnover and average collection period.

(c) Impairment of Distribution Segment Related Assets

Description of the Matter

The Group's distribution segment has been adversely affected by the significant decline in revenues due to continuous drop in demand for digital products since 2018. However, in a bid to optimize operations and improve financial results, the Group pursued another distribution model of earning commission income when it assigned the distribution of its digital products to Solid Trading Limited, a related party under common ownership. Along with this change in business model, the pandemic further reduced the revenue for distribution segment resulting to a net loss of P83.4 million in 2021. The impairment of the related assets under distribution segment is significant to our audit because the aforementioned events and conditions are impairment indicators requiring the assessment of the recoverable amount of such assets, which involves significant judgment, estimation and assumptions. In addition, there is a heightened level of uncertainty on the future economic outlook and market forecast because of the COVID-19 pandemic. Total assets under distribution segment amounted to P485.7 million as of December 31, 2021.

The Group's policy for impairment of non-financial assets are more fully described in Note 2 to the consolidated financial statements. The significant judgments applied and estimates used by management related to impairment of non-financial assets are more fully described in Note 3 to the consolidated financial statements. Meanwhile, the segment information is fully disclosed in Note 4.

How the Matter was Addressed in the Audit

Our audit procedures to address the risk of impairment of distribution segment related assets included the following:

- obtaining an understanding of the Group's process in making accounting judgments and estimates relating to impairment of non-financial assets and determining whether there has been or ought to have been a change from the prior period in the method, judgment and assumptions used by the Group relating to the measurement of the recoverable amounts of non-financial assets;

- involving the work of specialists in testing the appropriateness and reasonableness of the assumptions and methodology used in determining the value in use and/or recoverable amount, which include the appropriateness of the pre-tax discount rate and growth rates, and reasonableness of the cash flow projections prepared by management;

- performing sensitivity analysis on the calculation to determine whether a reasonably possible change in assumptions could cause the carrying amount of the non-financial assets to exceed their recoverable amount; and,

- evaluating the sufficiency and appropriateness of disclosures in accordance with appropriate standards.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Group's Securities and Exchange Commission (SEC) Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2021, but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS, SEC Form 17-A and Annual Report for the year ended December 31, 2021 are expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditors' report is Nelson J. Dinio.

PUNONGBAYAN & ARAULLO

By: Nelson J. Dinio
Partner

CPA Reg. No. 0097048
TIN 201-771-632
PTR No. 8852332, January 3, 2022, Makati City
SEC Group A Accreditation
Partner - No. 97048-SEC (until Dec. 31, 2023)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-032-2019 (until Sept. 4, 2022)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

March 31, 2022

SOLID GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020
(Amounts in Philippine Pesos)

	Notes	2021	2020 (As Restated – see Note 2)
A S S E T S			
CURRENT ASSETS			
Cash and cash equivalents	5	**P 2,749,788,562**	P 918,335,159
Short-term placements	5	**1,702,458,454**	3,326,476,937
Trade and other receivables - net	6	**327,047,374**	315,156,350
Advances to related parties	25	**2,386,851**	3,386,851
Merchandise inventories and supplies - net	8	**124,880,881**	198,355,670
Real estate inventories - net	9	**437,787,335**	437,128,195
Other current assets - net	13	**237,055,863**	351,459,204
Total Current Assets		**5,581,405,320**	5,550,298,366
NON-CURRENT ASSETS			
Trade and other receivables - net	6	**838,536,028**	750,895,379
Financial assets at fair value through other comprehensive income	7	**27,400,000**	24,100,000
Investment in an associate	7	**76,512,000**	18,185,600
Investment in bonds	7	**20,000,000**	-
Property and equipment - net	11	**1,626,508,328**	1,680,005,586
Investment properties - net	12	**4,638,814,250**	4,035,019,552
Right-of-use assets - net	10	**5,673,637**	9,549,297
Post-employment benefit asset - net	21	**131,951,617**	138,381,533
Deferred tax assets - net	22	**12,090,214**	70,838,052
Other non-current assets - net	13	**26,279,062**	26,471,792
Total Non-current Assets		**7,403,765,136**	6,753,446,791
TOTAL ASSETS		**P 12,985,170,456**	P 12,303,745,157

	Notes	2021	2020
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Trade and other payables	15	**P 455,481,732**	P 397,195,540
Customers' deposits	2	**10,366,460**	15,717,370
Lease liabilities	10	**3,711,489**	4,150,895
Advances from related parties	25	**1,881,570**	1,881,570
Income tax payable		**1,072,680**	4,620,256
Total Current Liabilities		**472,513,931**	423,565,631
NON-CURRENT LIABILITIES			
Refundable deposits	16	**26,244,550**	28,889,217
Lease liabilities	10	**2,878,860**	6,370,471
Post-employment benefit obligation	21	**19,793,584**	27,595,698
Deferred tax liabilities - net	22	**930,548,205**	961,012,498
Total Non-current Liabilities		**979,465,199**	1,023,867,884
Total Liabilities		**1,451,979,130**	1,447,433,515
EQUITY			
Attributable to the Parent Company's stockholders			
Capital stock	23	**2,030,975,000**	2,030,975,000
Additional paid-in capital	2	**4,641,701,922**	4,641,701,922
Treasury shares - at cost	23	**(115,614,380)**	(115,614,380)
Revaluation reserves - net	23	**50,287,013**	10,921,262
Retained earnings	23	**4,587,923,980**	3,921,769,622
Total equity attributable to the Parent Company's stockholders		**11,195,273,535**	10,489,753,426
Non-controlling interests	2, 23	**337,917,791**	366,558,216
Total Equity		**11,533,191,326**	10,856,311,642
TOTAL LIABILITIES AND EQUITY		**P 12,985,170,456**	P 12,303,745,157

See Notes to Consolidated Financial Statements.

SOLID GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019
(Amounts in Philippine Pesos)

	Notes	2021	2020 (As Restated – see Note 2)	2019 (As Restated – see Note 2)
REVENUES				
Rendering of services	4, 25, 26	**P 676,223,209**	P 572,131,442	P 1,002,844,613
Sale of goods	2, 4, 25	**595,189,618**	276,666,679	1,260,257,164
Rentals	4, 12, 25, 27	**240,777,116**	242,738,137	250,909,722
Interest	6, 7, 25	**26,869,721**	60,496,080	96,722,916
Sale of real estate	2, 4	**892,857**	-	7,434,374
		1,539,952,521	1,152,032,338	2,618,168,789
COSTS OF SERVICES, SALES, RENTALS AND REAL ESTATE SALES	17, 18			
Cost of services		**508,324,310**	442,230,852	717,825,559
Cost of sales		**494,517,506**	245,864,891	1,177,968,051
Cost of rentals		**66,528,808**	64,992,451	97,799,308
Cost of real estate sales		**434,180**	-	3,796,170
		1,069,804,804	753,088,194	1,997,389,088
GROSS PROFIT		**470,147,717**	398,944,144	620,779,701
OTHER OPERATING EXPENSES (INCOME)				
General and administrative expenses	18	**317,581,180**	327,095,389	396,355,760
Selling and distribution costs	18	**44,267,297**	53,906,050	172,967,211
Other operating income - net	19	**(553,169,725)**	(308,408,291)	(333,405,776)
		(191,321,248)	72,593,148	235,917,195
OPERATING PROFIT		**661,468,965**	326,350,996	384,862,506
OTHER INCOME (CHARGES) – Net	20			
Finance income		**81,961,223**	71,213,295	142,997,466
Finance costs		**(2,691,280)**	(41,876,289)	(28,113,872)
Other gains - net		**14,704,501**	7,401,516	13,034,255
		93,974,444	36,738,522	127,917,849
PROFIT BEFORE TAX		**755,443,409**	363,089,518	512,780,355
TAX EXPENSE	22	**77,854,004**	140,033,795	286,215,361
NET PROFIT		**P 677,589,405**	P 223,055,723	P 226,564,994
Net profit attributable to the:				
Parent Company's stockholders	24	**P 666,154,358**	P 220,149,500	P 216,338,757
Non-controlling interests		**11,435,047**	2,906,223	10,226,237
		P 677,589,405	P 223,055,723	P 226,564,994
Basic and diluted earnings per share attributable to the Parent Company's stockholders	24	**P 0.37**	P 0.12	P 0.12

See Notes to Consolidated Financial Statements.

SOLID GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019
(Amounts in Philippine Pesos)

	Notes	2021	2020	2019
NET PROFIT		**P 677,589,405**	P 223,055,723	P 226,564,994
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	**29,777,985**	(24,134,481)	(17,022,948)
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of post-employment defined benefit plan	21, 23	**2,277,975**	25,613,280	(8,008,561)
Fair value gains (losses) on financial assets at fair value through other comprehensive income	7, 23	**3,300,000**	(2,000,000)	(1,000,000)
Tax income (expense)	22, 23	**4,009,791**	(7,102,717)	2,351,534
		9,587,766	16,510,563	(6,657,027)
Other comprehensive income (loss) – net of tax		**39,365,751**	(7,623,918)	(23,679,975)
TOTAL COMPREHENSIVE INCOME		**P 716,955,156**	P 215,431,805	P 202,885,019
Total comprehensive income attributable to:				
Parent Company's stockholders		**P 705,520,109**	P 212,525,582	P 192,658,782
Non-controlling interests		**11,435,047**	2,906,223	10,226,237
		P 716,955,156	P 215,431,805	P 202,885,019

See Notes to Consolidated Financial Statements.

SOLID GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019
(Amounts in Philippine Pesos)

		Attributable to the Parent Company's Stockholders							
	Note	Capital Stock	Additional Paid-in Capital	Treasury Shares - at Cost	Revaluation Reserves	Retained Earnings	Total	Non-controlling Interests	Total Equity
Balance at January 1, 2021		P 2,030,975,000	P 4,641,701,922	(P 115,614,380)	P 10,921,262	P 3,921,769,622	P 10,489,753,426	P 366,558,216	P 10,856,311,642
Dividends declared	23	-	-	-	-	-	-	(40,075,472)	(40,075,472)
Total comprehensive income for the year		-	-	-	39,365,751	666,154,358	705,520,109	11,435,047	716,955,156
Balance at December 31, 2021		**P 2,030,975,000**	**P 4,641,701,922**	**(P 115,614,380)**	**P 50,287,013**	**P 4,587,923,980**	**P 11,195,273,535**	**P 337,917,791**	**P 11,533,191,326**
Balance at January 1, 2020		P 2,030,975,000	P 4,641,701,922	(P 115,614,380)	P 18,545,180	P 3,701,620,122	P 10,277,227,844	P 363,651,993	P 10,640,879,837
Total comprehensive income (loss) for the year		-	-	-	(7,623,918)	220,149,500	212,525,582	2,906,223	215,431,805
Balance at December 31, 2020		P 2,030,975,000	P 4,641,701,922	(P 115,614,380)	P 10,921,262	P 3,921,769,622	P 10,489,753,426	P 366,558,216	P 10,856,311,642
Balance at January 1, 2019		P 2,030,975,000	P 4,641,701,922	(P 115,614,380)	P 42,225,155	P 3,594,573,885	P 10,193,861,582	P 353,425,756	P 10,547,287,338
Dividends declared	23	-	-	-	-	(109,292,520)	(109,292,520)	-	(109,292,520)
Total comprehensive income (loss) for the year		-	-	-	(23,679,975)	216,338,757	192,658,782	10,226,237	202,885,019
Balance at December 31, 2019		P 2,030,975,000	P 4,641,701,922	(P 115,614,380)	P 18,545,180	P 3,701,620,122	P 10,277,227,844	P 363,651,993	P 10,640,879,837

See Notes to Consolidated Financial Statements.

SOLID GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019
(Amounts in Philippine Pesos)

	Notes	2021	2020 (As Restated – see Note 2)	2019 (As Restated – see Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		**P 755,443,409**	P 363,089,518	P 512,780,355
Adjustments for:				
Fair value gains on investment property - net	12	**(500,949,401)**	(265,736,169)	(277,777,788)
Depreciation and amortization	10, 11, 13	**86,391,426**	87,662,078	105,965,285
Interest income	5, 6, 7, 13, 21, 25	**(49,707,909)**	(113,841,478)	(209,724,387)
Unrealized foreign currency exchange losses (gains) - net		**(13,901,755)**	22,460,766	14,298,162
Interest expense	10, 16, 21	**4,843,892**	8,376,424	11,195,639
Gain on derecognition of liabilities	15	**(3,519,420)**	-	(2,913,521)
Gain on sale of property and equipment	11	**(1,410,329)**	(1,605,486)	(482,899)
Derecognition of cancelled project	12	**109,929**	-	-
Impairment loss on input value-added tax	13	**33,579**	-	-
Impairment loss on land and land development costs	9	**-**	644,800	-
Impairment loss on intangible assets	13	**-**	272,127	-
Gain on reversal of a provision	9	**-**	(125,000)	-
Loss on derecognition of property and equipment	11	**-**	-	9,860,674
Gain on discounting of refundable deposits	16	**-**	-	(225,755)
Operating profit before working capital changes		**277,333,421**	101,197,580	162,975,765
Decrease (increase) in short-term placements		**1,401,386,020**	(1,443,636,516)	7,433,671
Decrease (increase) in trade and other receivables		**(103,806,328)**	258,536,084	237,641,773
Decrease in advances to related parties		**1,000,000**	5,661,017	397,788
Decrease (increase) in merchandise inventories and supplies		**73,474,789**	(39,263,072)	605,613,854
Increase in real estate inventories		**(692,719)**	(803,571)	(592,223)
Decrease (increase) in other current assets		**117,345,031**	(135,537,281)	45,588,532
Decrease (increase) in post-employment benefit asset		**7,463,860**	(2,424,329)	24,283,722
Decrease (increase) in other non-current assets		**160,314**	(3,411,528)	98,323,992
Increase (decrease) in trade and other payables		**72,104,549**	(56,410,637)	15,622,601
Increase (decrease) in customers' deposits		**(5,350,910)**	2,985,721	(2,843,212)
Increase (decrease) in refundable deposits		**(3,299,577)**	4,201,839	(7,049,403)
Increase (decrease) in post-employment benefit obligation		**(2,229,461)**	9,823,207	(13,218,762)
Cash generated from (used in) operations		**1,834,888,989**	(1,299,081,486)	1,174,178,098
Interest received		**31,167,032**	57,298,774	96,722,916
Cash paid for income taxes		**(52,049,934)**	(75,282,009)	(109,986,210)
Net Cash From (Used in) Operating Activities		**1,814,006,087**	(1,317,064,721)	1,160,914,804
CASH FLOWS FROM INVESTING ACTIVITIES				
Maturity of short-term placements	5	**1,141,324,734**	20,929,884	57,164,165
Additions to short-term placements	5	**(918,692,271)**	(1,141,324,734)	(20,929,884)
Acquisitions of investment property	12	**(110,515,004)**	(29,160,720)	(55,367,255)
Additional investments in an associate	7	**(58,326,400)**	(18,185,600)	-
Acquisitions of property and equipment	11	**(28,298,018)**	(70,135,750)	(43,655,417)
Investment in bonds	7	**(20,000,000)**	-	-
Interest received		**14,457,615**	42,995,080	99,318,791
Proceeds from disposal of property and equipment	11	**8,209,869**	3,688,141	5,301,779
Refund of payment from construction-in-progress (CIP)	12	**500,000**	-	-
Net Cash From (Used in) Investing Activities		**28,660,525**	(1,191,193,699)	41,832,179
Balance forwarded		**P 1,842,666,612**	(P 2,508,258,420)	P 1,202,746,983

	Notes	2021	2020 (As Restated – see Note 2)	2019 (As Restated – see Note 2)
Balance carried forward		**P 1,842,666,612**	(P 2,508,258,420)	P 1,202,746,983
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividends paid	23	**(40,075,472)**	-	(109,292,520)
Repayment of lease liabilities	10	**(4,955,272)**	(5,665,839)	(6,667,763)
Repayment of interest-bearing loans	14	**-**	(64,329,907)	(55,781,712)
Interest paid for interest-bearing loans	14	**-**	(2,938,026)	(2,332)
Cash Used in Financing Activities		**(45,030,744)**	(72,933,772)	(171,744,327)
Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		**33,817,535**	8,493,085	4,567,199
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**1,831,453,403**	(2,572,699,107)	1,035,569,855
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**918,335,159**	3,491,034,266	2,455,464,411
CASH AND CASH EQUIVALENTS AT END OF YEAR		**P 2,749,788,562**	P 918,335,159	P 3,491,034,266

Supplemental Information on Non-cash Investing and Financing Activities:

1. The Group recognized additional right-of-use asset and lease liability amounting to P0.4 million and P5.7 million in 2021 and 2019, respectively. Also, in 2019, the Group recognized right-of-use assets and lease liabilities amounting to P15.3 million upon the adoption of Philippine Financial Reporting Standards 16, *Leases* (see Note 10).

2. In 2021, the Group transferred certain investment properties with a carrying amount of P7.1 million to property and equipment (see Notes 11 and 12). There was no similar transaction in 2020 and 2019.

See Notes to Consolidated Financial Statements.

SOLID GROUP INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021, 2020 AND 2019
(Amounts in Philippine Pesos)

1. GENERAL INFORMATION

1.1 Group Background

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

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

	Percentage of Ownership				
Subsidiaries / Associate	**2021**	2020	2019	Notes	Nature of Business
Subsidiaries:					
Brilliant Reach Limited (BRL)	**100**	100	100	a	Investment holding company
Green Sun Hotel Management, Inc. (GSHMI)	**100**	100	100		Hotel and restaurant operation
Kita Corporation (Kita)	**100**	100	100		Leasing of real estate properties
My Solid Technologies & Devices Corporation (My Solid)	**100**	100	100		Sale of mobile phones and accessories
Omni Solid Services, Inc. (OSSI)	**100**	100	100		Logistics and assembly of consumer electronics products
Precos, Inc. (Precos)	**100**	100	100	c	Real estate
Solid Broadband Corporation (SBC)	**100**	100	100		Broadband, cable and satellite services
SolidService Electronics Corporation (SEC)	**100**	100	100	d	Repair services for audio and video products
Solid Group Technologies Corporation (SGTC)	**100**	100	100		Trading of prefabricated modular house and office units
Solid Manila Corporation (SMC)	**100**	100	100		Real estate
Solid Manila Finance, Inc. (SMFI)	**100**	100	100		Financing
Solid Video Corporation (SVC)	**100**	100	100		Trading of professional audio/ video equipment
Zen Towers Corporation (ZTC)	**100**	100	100		Real estate
MyApp Corporation (MyApp)	**100**	100	100	c	Investment holding company
Casa Bocobo Hotel, Inc. (CBHI)	**100**	100	100	b	Hotel and restaurant operation
SVC Hong Kong Limited (SVC HK)	**100**	-	-	c, g	Trading of professional audio/ video equipment
Skyworld Corporation (Skyworld)	**75**	75	75	b, c	Investment holding company
Interstar Holdings Company, Inc. (Interstar)	**73**	73	73	b	Investment holding company
Starworld Corporation (Starworld)	**50**	50	50	b, e	Real estate
Laguna International Industrial Park, Inc. (LIIP)	**50**	50	50	b, f	Real estate
Associate –					
Fekon Solid Motorcycle Mfg. Corp. (Fekon)	**44**	28	-	7.3	Sale of motorcycle, motor parts and products

Notes:

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

In 2021, SVC acquired 100% ownership over SVC HK, a foreign private entity domiciled and incorporated under the laws of Hong Kong. SVC HK is yet to start its operation. The only transaction incurred by SVC HK is the acquisition of SVC.

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

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

1.2 Other Corporate Information

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

BRL	- 2nd Floor, Abbott Building, P.O. Box 933, Road Town, Tortola, British Virgin Islands
SVC HK	- RM A301, 3/F Blk. A Sea View Est 2-8 Watson Rd, Causeway Bay, Hong Kong
Kita	- N7175 Gil Puyat Ave. cor. Feati St., Clark Freeport Zone, Clarkfield, Pampanga
OSSI	- Solid St., LIIP, Mamplasan, Biñan, Laguna
SEC	- 145 G. Araneta Avenue, Brgy. Tatalon, Quezon City
SMC and CBHI	- 1000 J. Bocobo corner T.M. Kalaw St., Ermita, Manila
Starworld	- CPIP Brgys. Batino & Prinza, Calamba, Laguna
ZTC	- 1111 Natividad A. Lopez St., Brgy. 659-A, District 5, Ermita, Manila

1.3 Continuing Impact of COVID-19 Pandemic on the Group's Business

The COVID-19 pandemic started to become widespread in the Philippines in early March 2020 and its impact has been continuing until the date of the approval of these financial statements. The measures taken by the government to contain the virus have affected economic conditions and the Group's business operations.

In 2021 and 2020, the Group has taken the following measures to mitigate the adverse effects of the COVID-19 pandemic to the Group's business.

- deferred the construction of its planned projects and other capital expenditures, including the construction of Tower 3 of the Tri Towers condominium building, to manage the Group's available funds (see Note 9.2);
- entered into transaction with certain government agencies for the sale of prefabricated modular houses as quarantine facilities;

- opened its doors as a quarantine facility for repatriation of seafarers and allowed temporary lease of facilities for COVID-19 testing;
- extended rental adjustments to various lessees who have requested for discounts during the quarantine period and approved payment scheme for some lessees which were severely affected by the pandemic;
- negotiated for longer payment terms from suppliers; and,
- implemented flexible working arrangement to lessen exposure of the employees to the virus.

As the situation ensued as of December 31, 2021 and thereafter, the Company continued to implement health and safety protocols for its employees and visitors. Additional expenses were incurred from buying health supplies such as alcohol, face mask, face shield, etc.

Management believes that the Group was able to adapt and manage its business operations amidst the challenges brought about by the pandemic. As a result, the Group was able to generate total revenues amounting to P1,540.0 million in 2021, which is 34% higher than that of 2020. Consequently, the Group earned P677.6 million net profit in 2021, which is also higher by 204% than that of 2020. This significant increase was also brought by; (1) the recognition of deferred tax income amounting to P145.2 million from the remeasurement of net deferred liabilities as an effect of the change in tax rates (see Note 22.2); and, (2) the recognition of net fair value gains on investment properties amounting to P500.9 million in 2021 which is higher by 89% as compared to the net fair value gains recognized in 2020. The Group remains at equity position as of December 31, 2021.

Based on the foregoing improvements, management projects that the Group would continue to report positive results of operations and would remain liquid to meet current obligations as they fall due. Management believes that current measures will continue to mitigate the possible future negative impact of the pandemic to the Group's business and to its financial condition and performance.

Accordingly, management has not determined material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern due to the effects of the pandemic.

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, 2021 (including the comparative consolidated financial statements as of December 31, 2020 and for the years ended December 31, 2020 and 2019) were authorized for issue by the Parent Company's BOD on March 31, 2022.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of Preparation of Consolidated Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

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

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

(b) SEC Financial Reporting Reliefs Availed by the Company

The Company has availed of several financial reporting reliefs granted by the SEC under Memorandum Circular (MC) No. 14-2018, *Philippine Interpretation Committee Question and Answer (PIC Q&A) No. 2018-12 Implementation Issues Affecting Real Estate Industry*, MC No. 3-2019, *PIC Q&A Nos. 2018-12-H and 2018-14*, MC No. 4-2020, *Deferment of the Implementation of IFRS Interpretations Committee (IFRIC) Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23, Borrowing Costs) for Real Estate Industry*, and MC 34-2020, *Deferral of PIC Q&A No. 2018-12 and IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23) for Real Estate Industry for another period of three years or until 2023,* relating to several implementation issues of PFRS 15*, Revenue from Contracts with Customers,* affecting the real estate industry.

In 2021, MC No. 2021-08, A*mendment to SEC MC No. 2018-14, MC No. 2019-03, MC No. 2020-04, and MC No. 2020-34 to clarify transitory provision,* provides real estate companies the accounting policy option of applying either the full retrospective approach or the modified retrospective approach when they apply the provisions of the PIC and IFRIC pronouncement.

Discussed in the succeeding pages are the financial reporting reliefs availed of by the Company, including the descriptions of the implementation issues and their qualitative impacts to the financial statements. The Company opted to avail the reliefs until the end of the deferment period as provided under the relevant MC.

Relief	Description and Implication	Deferral Period
IFRIC Decision on Over Time Transfer of Constructed Goods (PAS 23) for Real Estate Industry	The IFRIC concluded that any inventory (work-in-progress) for unsold units under construction that the entity recognizes is not a qualifying asset, as the asset is ready for its intended sale in its current condition (i.e., the developer intends to sell the partially constructed units as soon as it finds suitable customers and, on signing a contract with a customer, will transfer control of any work-in-progress relating to that unit to the customer). Accordingly, no borrowing costs can be capitalized on such unsold real estate inventories. Had the Company elected not to defer the IFRIC Agenda Decision, it would have the following impact in the financial statements: • interest expense would have been higher; • cost of real estate inventories would have been lower; • total comprehensive income would have been lower; • retained earnings would have been lower; and, • the carrying amount of real estate inventories would have been lower.	Until end of 2023
PIC Q&A No. 2018-12-D, *Concept of the significant financing component in the contract to sell* and PIC Q&A No. 2020-04, *Addendum to PIC Q&A 2018-12-D: Significant Financing Component Arising from Mismatch between the Percentage of Completion and Schedule of Payments*	PFRS 15 requires that in determining the transaction price, an entity shall adjust the promised amount of consideration for the effects of the time value of money if the timing of payments agreed to by the parties to the contract (either explicitly or implicitly) provides the customer or the entity with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component.	Until end of 2023

Relief	**Description and Implication**	**Deferral Period**
PIC Q&A No. 2018-12-D, *Concept of the Significant Financing Component in the Contract to Sell* and PIC Q&A No. 2020-04, *Addendum to PIC Q&A 2018-12-D: Significant Financing Component Arising from Mismatch between the Percentage of Completion and Schedule of Payments (continued)*	There is no significant financing component if the difference between the promised consideration and the cash selling price of the good or service arises for reasons other than the provision of finance to either the customer or the entity, and the difference between those amounts is proportional to the reason for the difference. Further, the Company does not need to adjust the promised amount of consideration for the effects of a significant financing component if the entity expects, at contract inception that the timing difference of the receipt of full payment of the contract price and that of the completion of the project, are expected within one year and significant financing component is not expected to be significant Had the Company elected not to defer this provision of the standard, it would have an impact in the financial statement as there would have been a significant financing component when there is a difference between the POC of the real estate project and the right to the consideration based on the payment schedule stated in the contract. The Company would have recognized an interest income when the POC of the real estate project is greater than the right to the consideration and interest expense when lesser. Both interest income and expense will be calculated using the effective interest rate method. This will impact the retained earnings, real estate sales, and profit or loss in the year of adoption and in comparative periods presented. Should the Company elect to apply the modified retrospective approach as allowed by MC No. 2021-08, this will impact the opening retained earnings in the year of adoption.	Until end of 2023

(c) *Presentation of Consolidated Financial Statements*

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

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

(d) *Functional and Presentation Currency*

These consolidated financial statements are presented in Philippine pesos, the Group's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the consolidated financial statements of the Group are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the Group operates.

(e) *Prior Period Reclassification of Accounts*

The Group reclassified certain accounts in the consolidated statement of financial position and consolidated statement of income to conform with the current year presentation and account classification. This reclassification did not result in any adjustment to the net profit or to retained earnings reported in the current and prior years.

The effects of reclassifications in the Group's consolidated statement of financial position as of December 31, 2020 are summarized below.

	As Previously Reported	Reclassification	As Restated
Change in current assets –			
Advances to related parties	P 21,572,451	(P 18,185,600)	P 3,386,851
Change in non-current assets –			
Investment in an associate	-	18,185,600	18,185,600
Net impact on total assets		P -	

The effect of the reclassifications in the Group's consolidated statement of income are summarized below.

	As Previously Reported	Reclassification	As Restated
For the year ended December 31, 2020			
Change in revenues –			
Interest	P 83,134,829	(P 22,638,749)	P 60,496,080
Change in other income –			
Finance income	48,574,546	22,638,749	71,213,295
Effect on net profit		P -	
For the year ended December 31, 2019			
Change in revenues –			
Interest	P 143,812,108	(P 47,089,192)	P 96,722,916
Change in other income –			
Finance income	95,908,274	47,089,192	142,997,466
Effect on net profit		P -	

The effects of the reclassifications in the consolidated statement of cash flows are summarized below.

	As Previously Reported	Reclassification	As Restated
For the year ended December 31, 2020			
Change in cash flows from operating activities:			
Decrease (increase) in advances to related parties	(P 12,524,583)	P 18,185,600	P 5,661,017
Interest received	79,937,523	(22,638,749)	57,298,774
Change in cash flows from investing activities:			
Additional investments in an associate	-	(18,185,600)	(18,185,600)
Interest received	20,356,331	22,638,749	42,995,080
Change in cash flows from financing activities:			
Repayment of lease liabilities	(4,842,111)	(823,728)	(5,665,839)
Interest paid	(3,761,754)	823,728	(2,938,026)
Effects on cash flow		P -	
For the year ended December 31, 2019			
Change in cash flows from operating activities –			
Interest received	P 143,812,108	(P 47,089,192)	P 96,722,916
Change in cash flows from investing activities –			
Interest received	52,229,599	47,089,192	99,318,791
Change in cash flows from financing activities:			
Repayment of lease liabilities	(5,640,553)	(1,027,210)	(6,667,763)
Interest paid	(1,029,542)	1,027,210	(2,332)
Effects on cash flow		P -	

Since the reclassifications identified have no material net impact on the Group's consolidated financial statements, the Group does not present a third consolidated statement of financial position.

2.2 *Adoption of Amended PFRS*

(a) Effective in 2021 that are Relevant to the Group

The Group adopted the following amendments to existing standards:

PFRS 9, PFRS 7 and PFRS 16 (Amendments) : Financial Instruments, Financial Instruments: Disclosures, Leases – Interest Rate Benchmark Reform Phase 2

PFRS 16 (Amendments) : Leases – COVID-19-Related Rent Concessions Beyond June 30, 2021

Discussed below are the relevant information about these pronouncements.

(i) PFRS 9 (Amendments), *Financial Instruments*, PFRS 7 (Amendments), *Financial Instruments: Disclosures*, and PFRS 16 (Amendments), *Leases - Interest Rate Benchmark Reform Phase 2* (effective from January 1, 2021). The amendments address issues that may affect financial reporting during the interest rate benchmark reform, including the effect of changes to contractual cash flows or hedging relationships resulting from the replacement of the London Interbank Offered Rate (LIBOR) with alternative benchmark rates. The Phase 2 amendments had no significant impact to the Group's financial statements as the Group did not have any financial instruments subject to LIBOR.

(ii) The Group opted to early adopt the application of the amendments to PFRS 16, *Leases – COVID-19-Related Rent Concessions beyond June 30, 2021*, which is effective from April 1, 2021. The amendment extends for one year the use of practical expedient of not assessing whether rent concessions reducing payments up until June 30, 2022 occurring as a direct consequence of the COVID-19 pandemic are lease modifications and instead to account for those rent concessions as if they are not lease modifications. The application of these amendments had no significant impact to the Group's financial statements as the Group did not receive any rent concession from its third-party lessors in 2021.

(b) Effective Subsequent to 2021 but not Adopted Early

There are amendments and annual improvements to existing standards effective for annual periods subsequent to 2021, which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, none of these are expected to have significant impact on the Company's financial statements:

(i) PAS 16 (Amendments), *Property, Plant and Equipment – Proceeds Before Intended Use* (effective from January 1, 2022)

(ii) PAS 37 (Amendments), *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract* (effective from January 1, 2022)

(iii) Annual Improvements to PFRS 2018-2020 Cycle. Among the improvements, the following amendments, which are effective from January 1, 2022, are relevant to the Company:

- PFRS 9 (Amendments), *Financial Instruments – Fees in the '10 percent' Test for Derecognition of Financial Liabilities*

- Illustrative Examples Accompanying PFRS 16, *Leases – Lease Incentives*

(iv) PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current* (effective from January 1, 2023)

(v) PAS 1 (Amendments), *Presentation of Financial Statements – Disclosure of Accounting Policies* (effective from January 1, 2023)

(vi) PAS 8 (Amendments), *Accounting Estimates – Definition of Accounting Estimates* (effective from January 1, 2023)

(vii) PAS 12 (Amendments), *Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction* (effective from January 1, 2023)

(viii) PFRS 10 (Amendments), *Consolidated Financial Statements*, and PAS 28 (Amendments), *Investments in Associates and Joint Ventures – Sale or Contribution of Assets Between an Investor and its Associates or Joint Venture* (effective date deferred indefinitely)

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, investment in an associate and NCI as presented as follows:

(a) Investments in Subsidiaries

Subsidiaries are entities (including structured entities) over which the Parent Company has control. The Parent Company controls an entity when it has power over the investee, it is exposed, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date the Parent Company obtains control. The Parent Company reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of controls indicated above. Accordingly, entities are deconsolidated from the date that control ceases.

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

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

The excess of the consideration transferred, the amount of any NCI in the acquiree and the acquisition-date fair value of any existing equity interest in the acquiree over the acquisition-date fair value of identifiable net assets acquired is recognized as goodwill. If the consideration transferred is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly as gain in profit or loss (see Note 2.12).

(b) Investment in an Associate

Associates are those entities over which the Parent Company is able to exert significant influence, but which are neither subsidiaries nor interests in a joint venture. Investments in associates are initially recognized at cost and subsequently accounted for using the equity method.

Acquired investment in 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 Parent Company's share of the identifiable net assets of the acquiree at the date of acquisition. Any goodwill or fair value adjustment attributable to the Parent Company's share in the associate is included in the amount recognized as investment in an associate.

All subsequent changes to the Parent Company's share of interest in the equity of the associate are recognized in the carrying amount of the investment. Changes resulting from the profit or loss generated by the associate are reported within Share in Net Profit of an Associate account in the statement of profit or loss. These changes include subsequent depreciation, amortization or impairment of the fair value adjustments of assets and liabilities. Dividends received are accounted for as a reduction in the carrying value 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 BOD, its chief operating decision-maker. The BOD is responsible for allocating resources and assessing performance of the operating segments.

In identifying its operating segments, management generally follows the Group's products and service lines as disclosed in Note 4, which represent the main products and services provided by the Group. Each of these operating segments is managed separately as each of these service lines requires different technologies and other resources as well as marketing approaches. All intersegment transfers are carried out at arm's length prices.

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

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

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

2.5 Financial Instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the financial instrument.

(a) Financial Assets

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

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

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

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

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

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

(i) *Classification, Measurement and Reclassification of Financial Assets*

The classification, measurement and reclassification of financial assets is driven by the Group's business model for managing the financial assets ("business model test") and the contractual cash flow characteristics of the financial assets ("cash flow characteristics test") to achieve a particular business objective. The business model is determined at a higher level of aggregation (portfolio or group of financial assets managed together) and not on an instrument-by-instrument approach to classification (i.e., not based on intention for each or specific characteristic of individual instrument) in order to achieve the stated objective and, specifically, realize the cash flows.

Financial assets, other than those designated and effective as hedging instruments, are initially measured at fair value and then subsequently measured either at amortized cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL), depending on the classification determined at initial recognition.

The Company can only reclassify financial assets if the objective of its business model for managing those financial assets changes. A change in the objective of the Group's business model will take effect only at the beginning of the next reporting period following the change in the business model. There were no reclassifications of financial assets in 2021 and 2020.

Financial Assets at Amortized Cost

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

- the asset is held within the Group's business model whose objective is to hold financial assets in order to collect contractual cash flows (hold to collect); and,

- the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

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

The Group's financial assets at amortized cost are presented in the consolidated statement of financial position as Cash and Cash Equivalents, Short-term Placements, Trade and Other Receivables (except advances to suppliers and receivable from officers and employees), Advances to Related Parties, Investment in Bonds, Refundable deposits (presented as part of Other Current Assets account) and Refundable deposits, Deposit to suppliers and Cash bond (presented as part of Other Non-current Assets account).

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

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

Financial Assets at FVOCI

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

- they are held under a business model whose objective is to hold to collect the associated cash flows and sell ("hold to collect and sell"); and,

- the contractual terms of the financial assets give rise to cash flows that are SPPI on the principal amount outstanding.

At initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate equity investments as at FVOCI; however, such designation is not permitted if the equity investment is held by the Group for trading or as mandatorily required to be classified as FVTPL. The Group has irrevocably designated equity instruments as at FVOCI on initial recognition.

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

(ii) Impairment of Financial Assets

At the end of the reporting period, the Group assesses and recognizes its ECL on a forward-looking basis associated with its financial assets carried at amortized cost. The measurement of ECL involves consideration of broader range of information that is available without undue cost or effort at the reporting date about past events, current conditions, and reasonable and supportable forecasts of future economic conditions (i.e., forward-looking information) that may affect the collectability of the future cash flows of the financial assets. Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instruments evaluated based on a range of possible outcome.

The Group applies the simplified approach in measuring ECL, which uses a lifetime expected loss allowance for all trade and other receivables, except for loans receivables with significant financing component, and advances to related parties. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. To calculate the ECL using a provision matrix, the Group uses its historical experience, external indicators and forward-looking information. The Group also assesses impairment of trade receivables on a collective basis as they possess shared credit risk characteristics, and have been grouped based on the days past due [see Note 28.2(b) and (c)].

For loans receivables, which is presented under Trade and Other Receivables account in the consolidated statement of financial position, the Group recognizes lifetime ECL when there has been a significant increase in credit risk on a financial asset since initial recognition. Lifetime ECL represents the expected credit loss that will result from all possible default events over the expected life of a financial asset, irrespective of the timing of the default. However, if the credit risk on a financial asset has not increased significantly since initial recognition, the Group measures and provides for credit losses that are expected to result from default events that are possible within 12-months after the end of the reporting period.

For debt instruments (i.e., investment in bonds) measured at amortized cost, the allowance for credit losses is based on the ECL associated with the probability of default of a financial instrument in the next 12 months, unless there has been a significant increase in credit risk since the origination of the financial asset, in such case, a lifetime ECL for a purchased or originated credit impaired, the allowance for credit losses is based on the change in the ECL over the life of the asset. The Group recognized a loss allowance for such losses at each reporting date.

The Group determines whether there has been a significant increase in credit risk for financial asset since initial recognition by comparing the risk of default occurring over the expected life of the financial asset between the reporting date and the date of the initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that may indicate an actual or expected deterioration of the credit quality of the financial assets.

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

- *Probability of default (PD)* – It is an estimate of likelihood of a counterparty defaulting at its financial obligation over a given time horizon, either over the next 12 months or the remaining lifetime of the obligation.

- *Loss given default (LGD)* – It is an estimate of loss arising in case where a default occurs at a given time. It is based on the difference between the contractual cash flows of a financial instrument due from a counterparty and those that the Group would expect to receive, including the realization of any collateral or effect of any credit enhancement.

- *Exposure at default (EAD)* – It represents the gross carrying amount of the financial instruments in the event of default which pertains to its amortized cost.

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

(iii) *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.

(b) *Financial Liabilities*

Financial liabilities include interest-bearing loans, trade and other payables (excluding tax-related liabilities, advances from customers and reserve for warranty costs), lease liabilities, advances from related parties and refundable deposits. All interest-related charges are recognized as an expense in profit or loss as part of Finance costs under Other Income (Charges) account 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. There were no outstanding interest-bearing loans as of December 31, 2021 and 2020.

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.

Lease liabilities are recognized as disclosed in Note 2.15(a).

Financial liabilities are classified as current liabilities if payment is due to be settled within one year or less after the end of the reporting period (or in the normal operating cycle of the business, if longer), or the Group does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. Otherwise, these are presented as non-current liabilities.

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

(c) Offsetting of Financial Instruments

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

2.6 Merchandise Inventories and Supplies

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

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

2.7 Real Estate Inventories

Real estate inventories consist of the following:

(a) Land and Land Development Costs

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

(b) Property Development Costs

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

Subsequent to initial recognition, land and land development costs and property development costs are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. An item of land and land development cost is derecognized upon disposal or when no future economic benefits are expected to arise from the sale of asset.

2.8 Other Assets

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

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

Advances to suppliers that will be applied as payment for future purchase of merchandise inventories and supplies are classified and presented under Trade and Other Receivable account. On the other hand, advances to contractors and/or suppliers that will be applied as payment for future acquisition or construction of items of property and equipment, or acquisition and construction of investment property are classified and presented under the Other Non-Current Assets account. The classification and presentation is based on the eventual usage or realization of the asset to which it was advanced for.

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 2.17).

2.9 Property and Equipment

Property and equipment, except land, are carried at acquisition cost or construction cost less subsequent depreciation, amortization and any impairment losses. Land held for use in production or administration is stated at cost less any impairment losses.

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

Construction in progress pertains to the accumulated costs of putting up the assets, additions or improvements including the applicable borrowing cost (see Note 2.19).

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

Depreciation is computed on the straight-line basis over the estimated useful lives of the assets as follows:

Buildings and improvements	10 to 25 years
Test, communication and other equipment	5 to 20 years
Machinery and equipment	5 to 10 years
Transportation equipment	5 years
Computer system	2 to 5 years
Furniture, fixtures and office equipment	2 to 5 years
Tools and equipment	2 to 3 years

Leasehold improvements are amortized over the estimated useful lives of the assets from 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 2.17).

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

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

2.10 Intangible Assets

Intangible assets, presented under Other Non-current Assets account in the consolidated statement of financial position, include non-proprietary club shares and computer software licenses, which are accounted for under the cost model. The cost of the asset is the amount of cash or cash equivalents paid or the fair value of the other considerations given up to acquire an asset at the time of its acquisition.

These are recognized in the consolidated financial statements when it is probable that the future economic benefits will flow to the Group and the asset has a cost or value that can be measured reliably. The Group's non-proprietary club shares are assessed as having indefinite useful life and is tested annually for any impairment. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.17).

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

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

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

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

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

2.11 Investment Property

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

Investment property is accounted for under the fair value model. It is revalued annually and is included in the consolidated statement of financial position at its fair value. Fair value is supported by market evidence and is determined by independent appraisers with sufficient experience with respect to both the location and the nature of the investment property (see Note 12).

Investment property, which consists mainly of land and improvements, and buildings and improvements under operating lease agreements, is initially measured at acquisition cost, including transaction costs.

Construction-in-progress pertains to the accumulated costs of putting up the assets, additions or improvements including the applicable borrowing cost (see Note 2.19). Cost is recognized when materials purchased and services performed in relation to construction have been delivered or rendered. When the asset has become available for use, the accumulated cost is transferred to the appropriate investment property account, and depreciation is recognized based on the estimated useful life of such asset.

Transfers from other accounts (such as Land and Land Development Costs and Property and Equipment) are made to investment property when and only when, there is a change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party. Transfers from investment property are made when, and only when, there is a change in use, evidenced by commencement of the owner-occupation or commencement of development with a view to sell.

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

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

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

For tax purposes, investment property is carried at cost less accumulated depreciation computed on a straight-line basis over the estimated net useful lives of the assets ranging from 11 to 25 years.

2.12 Business Combinations

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

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition, except for lease liabilities which are measured based on the present value of the remaining lease payments as if the acquired lease were a new lease at acquisition date and right-of-use assets which are measured at an amount equal to the recognized lease liability, adjusted to reflect favorable or unfavorable lease terms compared with market terms. Subsequent to initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed (see Note 2.17).

Negative goodwill, which is the excess of the Group's interest in the net fair value of the net identifiable assets acquired over acquisition cost, is charged directly to profit or loss.

For the purpose of impairment testing, goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The cash-generating units or groups of cash-generating units are identified according to operating segment.

Gains and losses on the disposal of an interest in a subsidiary include the carrying amount of goodwill relating to it.

If the business combination is achieved in stages, the acquirer is required to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in the profit or loss or other comprehensive income, as appropriate.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with PAS 37 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.

2.13 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.

2.14 Revenue and Expense Recognition

Revenue comprises revenue from sale of goods and real estate and the rendering of services measured by reference to the fair value of consideration received or receivable by the Group for the foods sold and services rendered, excluding value-added tax (VAT) and trade discounts.

To determine whether to recognize revenue, the Group follows a five-step process:

(1) identifying the contract with a customer;
(2) identifying the performance obligation;
(3) determining the transaction price;
(4) allocating the transaction price to the performance obligations; and,
(5) recognizing revenue when/as performance obligations are satisfied.

The Group determines whether a contract with customer exists by evaluating whether the following gating criteria are present:

(i) the parties to the contract have approved the contract either in writing, orally or in accordance with other customary business practices;
(ii) each party's rights regarding the goods or services to be transferred or performed can be identified;
(iii) the payment terms for the goods or services to be transferred or performed can be identified;
(iv) the contract has commercial substance (i.e., the risk, timing or amount of the future cash flows is expected to change as a result of the contract); and,
(v) collection of the consideration in exchange of the goods and services is probable.

Revenue is recognized only when (or as) the Group satisfies a performance obligation by transferring control of the promised goods or services to a customer. The transfer of control can occur over time or at a point in time.

A performance obligation is satisfied at a point in time unless it meets one of the following criteria, in which case it is satisfied over time:

(i) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
(ii) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; and,
(iii) the Group's performance does not create an asset with an alternative use to the Group and the entity has an enforceable right to payment for performance completed to date.

The Group often enters into transactions involving the sale of goods and real estate, and rendering of services.

The transaction price allocated to performance obligations satisfied at a point in time is recognized as revenue when control of the goods or services transfers to the customer. If the performance obligation is satisfied over time, the transaction price allocated to that performance obligation is recognized as revenue as the performance obligation is satisfied. The Group uses the practical expedient in PFRS 15 with respect to non-disclosure of the aggregate amount of the transaction price allocated to unsatisfied or partially satisfied performance obligations as of the end of the reporting period and the explanation of when such amount will be recognized as revenue as the Group's contracts with customers have original expected duration of one year or less, except for real estate sales.

In addition, the following specific recognition criteria must also be met before revenue is recognized [significant judgments in determining the timing of satisfaction of the following performance obligations are disclosed in Note 3.1(b)]:

(a) *Rendering of services (other than commission income)* – Revenue, which primarily arise from service fees, room and events services, assembly and test lab services, warehousing and repair services, is recognized by the amount in which the Group has a right to invoice that corresponds directly with the value of services rendered that is completed over a period of time.

(b) *Sale of goods* – Revenue, which primarily include the sale of handsets, devices, accessories, equipment, appliances and modular houses, is recognized at a point in time. This is generally when the customer has taken undisputed delivery of goods.

(c) *Warranty and network support fee (shown as part of Rendering of Services)* – Revenue from warranty and network support fee is recognized over time upon actual rendering of in-warranty and out-of-warranty services to the customers. Revenue from network support, which is a fixed amount per month as indicated in the contract, is accrued at the end of each month.

(d) *Sale of real estate*

(i) *Sale of real estate on pre-completed real estate properties* – Revenue from real estate sales is recognized over time proportionate to the progress of the development. The Group measures its progress based on actual costs incurred relative to the total expected costs to be incurred in completing the development.

(ii) *Sale of real estate on completed real estate properties* – Revenue from real estate sales is recognized at point in time when the control over the real estate property is transferred to the buyer.

Payments received from buyers which do not meet the revenue recognition criteria are presented as Customers Deposits account in the consolidated statement of financial position.

As an accounting policy for real estate properties to be constructed, revenue is recognized based on the percentage-of-completion method determined through the input method as the construction services are provided. The stage of completion is measured on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation (i.e., resources consumed, labor hours expended, other costs incurred, etc.) relative to the total expected inputs to the satisfaction of such performance obligation. If applicable, sales cancellations are accounted for on the year of forfeiture. Any gain or loss on cancellation is charged to profit or loss.

Contract assets pertain to rights to consideration in exchange for goods or services that the Group has transferred to a customer that is conditioned on something other than passage of time. Under its contracts with customers, the Group will receive an unconditional right to payment for the total consideration upon the completion of the development of the property sold. Any rights to consideration recognized by the Group as it develops the property are presented as Contract Assets in the consolidated statement of financial position. Contract assets are subsequently tested for impairment in the same manner as the Group assesses impairment of its financial assets.

Any consideration received by the Group in excess of the amount for which the Group is entitled is presented as Contract Liabilities in the consolidated statement of financial position. A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

(e) *Commission income (shown as part of Rendering of Services)* – Commission income is recognized over time when the performance of contractually agreed tasks have been substantially rendered.

(f) *Service charges and penalties* – Revenue is generally recognized over time when the service has been provided and when there is reasonable degree of certainty as to their collectability.

Further, the Group provides a product warranty for a period of 15 months from the time of sale on its sales of goods related to hidden and manufacturer's defect. Under the terms of this warranty, customers can return the product for repair or replacement if it fails to perform in accordance with published specifications. These warranties are accounted for under PAS 37. However, if the Group is required to refund the related purchase price for returned goods, it recognizes a refund liability for the expected refunds by adjusting the amount of revenues recognized during the period.

In obtaining customer contracts, the Group incurs incremental costs. As the expected amortization period of these costs, if capitalized, would be less than one year, the Group uses the practical expedient in PFRS 15 and expenses such costs as incurred. The Group also incurs costs in fulfilling contracts with customers. However, as those costs are within the scope of other financial reporting standards, the Group accounts for those costs in accordance with accounting policies related to those financial reporting standards.

Cost and expenses are recognized in profit or loss upon utilization of goods or services or at the date they are incurred. Expenditure for warranties is recognized and charged against the associated provision when the related revenue is recognized. All finance costs are reported in the consolidated statement of income on an accrual basis, except capitalized borrowing costs, which are included as part of the cost of the related qualifying asset (see Note 2.19).

2.15 Leases

The Group accounts for its leases as follows:

(a) *Group as Lessee*

For any new contracts entered into, the Group considers whether a contract is, or contains, a lease. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;

- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and,

- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

At lease commencement date, the Group recognizes a right-of-use asset and a lease liability in the statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received). Subsequently, the Group depreciates the right-of-use asset on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist (see Note 2.17).

On the other hand, the Group measures the lease liability at the present value of the lease payments unpaid at the commencement date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate. Lease payments include fixed payments (including in-substance fixed) less lease incentives receivable, if any, variable lease payments based on an index or rate, amounts expected to be payable under a residual value guarantee, and payments arising from options (either renewal or termination) reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

On the consolidated statement of financial position, right-of-use assets and lease liabilities have been presented separately from property and equipment and other liabilities, respectively.

(b) Group as Lessor

Leases which do not transfer to the lessee substantially all the risks and rewards of ownership of the asset are classified as operating leases. Lease income from operating leases is recognized in the consolidated statement of income on a straight-line basis over the lease term.

2.16 Foreign Currency Transactions and Translation

(a) Transactions and Balances

The accounting records of the Group, except BRL, are maintained in Philippine pesos. Foreign currency transactions during the period are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates. The accounting records of BRL are maintained in United States dollar (USD).

Foreign currency exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of income as part of Finance Income or Finance Costs.

(b) Translation of Financial Statements of Foreign Subsidiary

The operating results and financial position of BRL are translated to Philippine pesos, the Group's functional and presentation currency, as presented as follow.

(i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;

(ii) Income and expenses for each statement of income account are translated at the monthly average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rates prevailing at the dates of the transactions); and,

(iii) All resulting exchange differences are recognized as a separate component of other comprehensive income under currency exchange differences on translating financial statements of foreign operations, which is included under items that will be reclassified subsequently to profit or loss.

On consolidation, exchange differences arising from the translation of the net investment in BRL are recognized in other comprehensive income and taken to equity under Revaluation Reserves. When a foreign operation is partially disposed of or sold, such exchange differences are reclassified in the consolidated statement of income as part of the gain or loss on sale. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

The translation of the consolidated financial statements into Philippine pesos should not be construed as a representation that the USD amounts could be converted into Philippine pesos amounts at the translation rates or at any other rates of exchange.

2.17 Impairment of Non-financial Assets

The Group's property and equipment, investment property, investment in associate, intangible assets, right-of-use assets and other non-financial assets are subject to impairment testing. Intangible assets with an indefinite useful life or those not yet available for use are tested for impairment at least annually. All other individual assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount of those assets may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, assets are tested for impairment either individually or at the cash-generating unit level.

Impairment loss is recognized in profit or loss for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amounts which is the higher of its fair value less costs to sell and its value in use. In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. Except for impairment losses on goodwill, an impairment loss is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

2.18 Employee Benefits

The Group provides post-employment benefits to employees through a defined benefit plan, as well as defined contribution plans, and other employee benefits which are recognized as follows.

(a) Post-employment Defined Benefit Plan

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary.

The legal obligation for any benefits from this kind of post-employment plan remains with the Group, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies. The Group's defined benefit post-employment plan covers all regular full-time employees. The pension plan is tax-qualified, non-contributory and administered by a trustee-bank.

The asset recognized in the consolidated statement of financial position for post-employment defined benefit plans is the fair value of plan assets less the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by independent actuaries 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 bonds using the reference rates published by Bloomberg using its valuation technology, Bloomberg Valuation (BVAL), that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability. BVAL provides evaluated prices that are based on market observations from contributed sources.

Remeasurements, comprising of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions and the return on plan assets (excluding amount included in net interest) are reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they arise. Net interest is calculated by applying the discount rate at the beginning of the period, unless there is a plan amendment, curtailment or settlement during the reporting period. The calculation also takes into account any changes in the net defined benefit liability or asset during the period as a result of contributions to the plan or benefit payments. Net interest is reported as part of Other Gains under the Other Income (Charges) account in the consolidated statement of income.

Past service costs are recognized immediately in profit or loss in the period of a plan amendment and curtailment.

(b) Post-employment Defined Contribution Plans

A defined contribution plan is a post-employment plan under which the Group pays fixed contributions into an independent entity. The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities and assets may be recognized if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short-term nature.

(c) Termination Benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits.

The Group recognizes termination benefits at the earlier of when it can no longer withdraw the offer of such benefits and when it recognizes costs for a restructuring that is within the scope of PAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(d) Bonus Plans

The Group recognizes a liability and an expense for bonuses 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.

2.19 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.

2.20 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 current tax 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 current tax liabilities are recognized as a component of tax expense in the consolidated statement of income.

Deferred tax is accounted for using the liability method, on temporary differences at the end of each reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carryforward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized, or the liability is settled provided such tax rates have been enacted or substantively enacted at the end of the reporting period.

The carrying amount of deferred tax assets are 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 assets to be utilized.

The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. For purposes of measuring deferred tax assets and deferred tax liabilities 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 deferred tax liabilities are recognized as a component of tax expense in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Deferred tax assets and deferred tax liabilities are offset if the Group has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred taxes relate to the same entity and the same taxation authority.

2.21 Related Party Transactions and Relationships

Related party transactions are transfers of resources, services or obligations between the Group and its related parties, regardless whether a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Group; (b) associates; (c) individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group and close members of the family of any such individual; and, (d) the Group's funded retirement plan.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

Based on the requirement of the SEC Memorandum Circular 2019-10, *Rules on Material Related Party Transactions for Publicly-Listed Companies*, transactions amounting to 10% or more of the total assets based on the latest audited financial statements that were entered into with related parties are considered material.

All individual material related party transactions shall be approved by at least two-thirds vote of the BOD, with at least a majority of the independent directors voting to approve the material related party transactions. In case that a majority of the independent director's vote is not secured, the material related party transaction may be ratified by the vote of the stockholders representing at least two-thirds of the outstanding capital stock. For aggregate related party transactions within a one year period that breaches the 10% materiality threshold, the same board approval would be required for the transaction(s) that meets and exceeds the materiality threshold covering the same related party.

2.22 Equity

Capital stock represents the nominal value of shares that have been issued.

Additional paid-in capital (APIC) includes any premiums received on the initial issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from APIC, net of any related tax benefits.

Treasury shares are stated at the cost of reacquiring such shares and are deducted from equity attributable to the Group's equity holders until the shares are cancelled, reissued or disposed of.

Revaluation reserves comprise the remeasurements of post-employment defined benefit plan, cumulative translation adjustments on financial statements of foreign subsidiaries and unrealized fair value gains (losses) arising from the revaluation of certain financial assets at FVOCI.

Retained earnings, the appropriated portion of which is not available for distribution, represent all current and prior period results of operations as reported in the consolidated statement of income, reduced by the amounts of dividends declared, if any.

NCI represent the portion of net assets and profit or loss not attributable to the Parent Company's stockholders which are presented separately in the Group's consolidated statement of income and consolidated statement of comprehensive income and within equity in the Group's consolidated statement of financial position and consolidated statement of changes in equity.

2.23 Earnings Per Share

Basic earnings per share (EPS) is computed by dividing net profit attributable to the Parent Company's stockholders by the weighted average number of shares issued and outstanding, adjusted retroactively for any stock dividends declared, stock split and reverse stock split declared during the current period.

Diluted EPS is computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of potential dilutive shares. Currently, the Group does not have potentially dilutive shares outstanding; hence, the diluted earnings per share is equal to the basic earnings per share.

2.24 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) Determination of Lease Term of Contracts with Renewal and Termination Options

In determining the lease term, management considers all relevant factors and circumstances that create an economic incentive to exercise a renewal option or not exercise a termination option. Renewal options and/or periods after termination options are only included in the lease term if the lease is reasonably certain to be extended or not terminated and the renewal of the contract is not subject to mutual agreement of both parties.

For leases of payment centers, the factors that are normally the most relevant are (a) if there are significant penalties should the Group pre-terminate the contract, and (b) if any leasehold improvements are expected to have a significant remaining value, the Group is reasonably certain to extend and not to terminate the lease contract. Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

The Group included the renewal period as part of the lease term for leases of some of its payment centers due to the significance of these assets to its operations. These leases have a short, non-cancellable lease period (i.e., one to five years) and there will be a significant negative effect on operations if a replacement is not readily available. However, there are other payment centers wherein the provision in the contract requires mutual agreement of both parties on the terms and agreements of the renewal and termination of the lease contract; hence, renewal options for these leases were not included as part of the lease term.

The lease term is reassessed if an option is actually exercised or not exercised or the Group becomes obliged to exercise or not exercise it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the Group.

(b) Determination of Timing of Satisfaction of Performance Obligations

(i) Rendering of Services

The Group determines that its revenue from rendering of services shall be recognized over time. In making its judgment, the Group considers the timing of receipt and consumption of benefits provided by the Group to the customers. The Group provides the services without the need of reperformance of other companies. This demonstrates that the customers simultaneously receive and consume the benefits of the Group's rendering of the services as it performs.

In determining the best method of measuring the progress of the Group's rendering of services, management considers the output method under PFRS 15 because it directly measures the value of the services transferred to the customer.

(ii) *Sale of Goods*

The Group determines that its revenue from sale of goods shall be recognized at a point in time when the control of the goods have passed to the customer (i.e., generally when the customer has acknowledged delivery of the goods).

(iii) *Sale of Real Estate*

The Group exercises critical judgment in determining whether the performance obligation to deliver and transfer the control over the real estate properties (i.e., land and condominium building) to customers is satisfied over time or at a point in time.

In making this judgment, the Group considers the delivery to and acceptance by the buyer of the property as a transfer of control at specific point in time since the Group does not have a significant continuing involvement with the property sold to the buyer and the earning process is virtually complete. Further, the Group's enforceable right for payment becomes due upon transfer of control over the real estate property. The Group's management determines that its revenue from sale of real estate inventories, which are completed and ready for use, shall be recognized at a point in time when the control has transferred to the customer (see Note 2.14).

(c) *Determination of ECL on Trade and Other Receivables, Investment in Bonds and Advances to Related Parties*

The Group uses a provision matrix to calculate ECL for trade and other receivables. The provision matrix is based on the Group's historical observed default rates. The Group's management intends to regularly calibrate (i.e., on an annual basis) the matrix to consider the historical credit loss experience with forward-looking information (i.e., forecast economic conditions).

For loans receivables (presented under Trade and Other Receivables account), the allowance for impairment is based on the ECL associated with the probability of default of a financial instrument in the next 12 months, unless there has been a significant increase in credit risk since origination of the financial instrument, in such case, a lifetime ECL for the instrument is recognized.

The Group uses a provision matrix to calculate ECL for its debt securities carried at amortized cost (i.e., investment in bonds). The allowance for impairment is based on the ECLs associated with the probability of default of a financial instrument in the next 12 months, unless there has been a significant increase in credit risk since origination of the financial instrument, in such case, a lifetime ECL for the instrument is recognized.

The Group has established a policy to perform an assessment, at the end of each reporting period, whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Other portion of the Group's financial asset at amortized cost pertains to advances to related parties. In relation to this, the maximum period over which ECL should be measured is the longest contractual period where an entity is exposed to credit risk.

In the case of these advances to related parties, which are repayable on demand, the contractual period is the very short period needed to transfer the cash once demanded. Management determines possible impairment based on the sufficiency of the related parties' highly liquid assets in order to repay the Group's receivables if demanded at the reporting date taking into consideration the historical defaults of the related parties. If the Group cannot immediately collect its receivables, management considers the expected manner of recovery to measure ECL. If the recovery strategies indicate that the outstanding balance of receivables can be collected, the ECL is limited to the effect of discounting the amount due over the period until cash is realized.

Details about the ECL on the Group's trade and other receivables, investment in debt securities and advances to related parties are disclosed in Notes 6, 25.4, 28.2(b), 28.2(c) and 28.2(e).

(d) Costing of Merchandise Inventories and Supplies

The Group's inventory costing policies and procedures were based on a careful evaluation of present circumstances and facts affecting production operations. A review of the benchmarks set by management necessary for the determination of inventory costs and allocation is performed regularly. Actual data are compared to the related benchmarks and critical judgment is exercised to assess the reasonableness of the costing policies and procedures which are currently in place and to make the necessary revisions in light of current conditions.

(e) Distinction Between Investment Property, Owner-occupied Properties and Real Estate Inventories

The Group determines whether a property qualifies as investment property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to the properties but also to other assets used in the production or supply process. On the other hand, real estate inventories are properties intended to be sold in the normal course of business.

(f) Distinction Between Operating and Finance Leases for Contracts where the Group is the Lessor

The Group has entered into various lease agreements as either a lessor or lessee. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities. Based on management's judgment, all of the Group's lease agreements were determined to be operating leases.

(g) Recognition of Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition of provision and contingencies are discussed in Note 2.13 and the disclosures on relevant provisions and contingencies are presented in Note 27.

3.2 Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period:

(a) Determination of Appropriate Discount Rate in Measuring Lease Liabilities

The Group measures its lease liabilities at present value of the lease payments that are not paid at the commencement date of the lease contract. The lease payments were discounted using a reasonable rate deemed by management equal to the Group's incremental borrowing rate. In determining a reasonable discount rate, management considers the term of the leases, the underlying asset and the economic environment. Actual results, however, may vary due to changes in estimates brought about by changes in such factors.

(b) Estimation of Allowance for ECL

The measurement of the allowance for ECL on financial assets at amortized cost is an area that requires the use of significant assumptions about the future economic conditions and credit behavior (e.g., likelihood of customers defaulting and the resulting losses).

Specifically for loans receivables, the Group's ECL calculations are outputs of complex modes with a number of underlying assumptions which include: (1) the Group's criteria for assessing if there has been a significant increase in credit risk; and, (2) development of expected credit loss models, including the choice of inputs relating to macroeconomic variables.

Explanation of the inputs, assumptions and estimation used in measuring ECL is further detailed in Notes 6, 25.4, 28.2(b), 28.2(c) and 28.2(e).

(c) Fair Value Measurement for Financial Instruments

Management applies valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument.

Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the end of the reporting period.

The carrying values of the Group's financial assets at FVOCI and the amounts of fair value changes recognized on those assets are disclosed in Note 7.

(d) Determination of Net Realizable Value of Merchandise Inventories and Supplies

In determining the net realizable value of merchandise inventories and supplies, management takes into account the most reliable evidence available at the time the estimates are made. The Group's core business is continuously subject to rapid technology changes which may cause inventory obsolescence. Moreover, future realization of the carrying amounts of inventories is affected by price changes in different market segments of electronic devices, modular houses, broadcast equipment and accessories (see Note 8). Both aspects are considered key sources of estimation uncertainty and may cause significant adjustments to the Group's merchandise inventories and supplies within the next reporting period.

(e) Determination of Net Realizable Value of Real Estate Inventories

The Group adjusts the cost of its real estate inventories to net realizable value based on its assessment of the recoverability of real estate inventories. Net realizable value for completed real estate inventories is assessed with reference to market conditions and prices existing at the reporting date and is determined by the Group in the light of recent market transactions. Net realizable value in respect of real estate inventories under construction is assessed with reference to market prices at the reporting date for similar property at the same stage of completion, less estimated costs to complete construction and less estimated costs to sell. The amount and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized.

Management's assessment of net realizable value of properties under development requires the estimates of future cash flows to be derived from these properties. These estimates require judgment as to the anticipated sale prices by reference to recent sales transactions in nearby locations, rate of new property sales, marketing costs (including price discounts required to stimulate sales) and the expected costs to completion of properties, the legal and regulatory framework and general market conditions.

The carrying amounts of the real estate inventories are disclosed in Note 9.

(f) Estimation of Useful Lives of Right-of-Use Assets, Property and Equipment and Intangible Assets

The Group estimates the useful lives of right-of-use assets, property and equipment and intangible assets based on the period over which the assets are expected to be available for use. The estimated useful lives of these assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical/commercial obsolescence and legal or other limits on the use of the assets.

The carrying amounts of right-of-use assets, property and equipment and intangible assets are analyzed in Notes 10.1, 11 and 13.1, respectively. Based on management's assessment as of December 31, 2021 and 2020, there is no change in the estimated useful lives of property and equipment during those years. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

(g) Fair Value Measurement of Investment Property

The Group's investment property, which consists of parcels of land and improvements and buildings and improvements, are carried at fair value at the end of the reporting period. In determining the fair value of these assets, the Group engages the services of professional and independent appraisers applying the relevant valuation methodologies as discussed in Note 30.4.

For investment properties with appraisals conducted prior to the end of the current reporting period, management determines whether there are significant circumstances during the intervening period that may require adjustments or changes in the disclosure of fair value of those properties.

A significant change in these elements may affect prices and the value of the assets. The amounts of fair value gains recognized on investment property are disclosed in Note 12.

(h) Determination of Realizable Amount of Deferred Tax Assets

The Group reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

The carrying value of recognized deferred tax assets, which management assessed may be fully utilized in the coming years, as of December 31, 2021 and 2020 is disclosed in Note 22.2. Certain deferred tax assets, however, were not recognized since management believes that there is no assurance that the related tax benefits will be realized in the coming years.

(i) Impairment of Non-financial Assets

In assessing impairment, management estimates the recoverable amount of each asset or a cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see Note 2.17). Though management believes that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in those assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

Based on management's assessment, certain non-financial assets were impaired in 2021 and 2020 (see Note 13). Consequently, the Group recognizes loss on impairment for these assets (see Note 18).

(j) Estimation of Reserve for Warranty Costs

The Group offers warranty, for a period ranging from one to two years, for each consumer electronic product sold. Management estimates the related provision for future warranty costs based on a certain percentage of sales, as determined based on historical warranty claim information as well as recent trends that might suggest that past cost information may differ from expectations. Warranty costs also include the actual cost of materials used in repairing the electronic products.

The amounts of provision for warranty claims recognized and the outstanding balance of Reserve for warranty costs, which is presented as part of Trade and Other Payables account in the consolidated statements of financial position, are disclosed in Note 15.

(k) Valuation of Post-employment Defined Benefit

The determination of the Group's obligation and cost of post-employment benefit is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 21.2 and include, among others, discount rates and expected rate of salary increases. A significant change in any of these actuarial assumptions may generally affect the recognized expense, other comprehensive income or losses and the carrying amount of the post-employment benefit asset and obligation in the next reporting period.

The amounts of the fair value of the retirement benefit asset and present value of retirement benefit obligation and the analysis of the movements in the fair value of the retirement benefit asset and present value of retirement benefit obligation, as well as the significant assumptions used in estimating such asset and obligation are presented in Note 21.2.

4. SEGMENT INFORMATION

4.1 Business Segments

The Group's operating businesses are organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The Group's different business segments are presented below.

(a) Distribution is involved in the sale of mobile phones and devices, and sale of prefabricated modular houses as part of the Group's response to COVID-19 pandemic;

(b) Property and related services are involved in the leasing, development and sale of industrial and other real estate properties and hotel and restaurant operations;

(c) Technical support and solutions are presently engaged in the business of sale of professional audio and video equipment, after sales services, warehousing and distribution; and,

(d) Investment and others include investment holding companies, and those included in the business of financing and credit extension.

Segment accounting policies are the same as the policies described in Note 2.4.

4.2 Segment Assets and Liabilities

Segment assets are allocated based on their use or direct association with a specific segment and they include all operating assets used by each business segment and consist principally of operating cash, receivables, inventories, investment properties and property and equipment, net of allowances and provisions.

Similar to segment assets, segment liabilities include all operating liabilities used by each segment and consist principally of accounts, wages, taxes currently payable and accrued liabilities. Segment assets and liabilities do not include deferred taxes.

4.3 Intersegment Transactions

Segment revenues, expenses and performance include sales and purchases between business segments, such sales and purchases are eliminated in the consolidation.

4.4 Analysis of Segment Information

The tables below and in the succeeding pages present certain asset and liability information regarding business segments as of December 31, 2021, 2020 and 2019 and the related revenue and profit information for each of the three years in the period ended December 31, 2021 (amounts are in thousands).

	Distribution	Property and Related Services	Technical Support and Solutions	Investments and Others	Total
2021					
SEGMENT RESULTS					
Sales to external customers	P 317,159	P 255,003	P 843,448	P 124,343	P 1,539,953
Intersegment sales	96	134,976	7,264	152,820	295,156
Total revenues	317,255	389,979	850,712	277,163	1,835,109
Cost of sales, services, and rentals	274,823	140,352	585,090	94,115	1,094,380
Other operating expenses (income)	83,431	(426,260)	160,246	867,616	685,033
Operating profit (loss)	(40,999)	675,887	105,376	(684,568)	55,696
Finance income	6,430	16,204	3,582	56,771	82,987
Finance costs	-	(1,765)	(2,291)	(4)	(4,060)
Other gains (losses) – net	(384)	22,667	5,117	809,979	837,379
Profit (loss) before tax	(34,953)	712,993	111,784	182,178	972,002
Tax expense (income)	48,428	6,424	22,146	856	77,854
Net profit (loss)	**(P 83,381)**	**P 706,569**	**P 89,638**	**P 181,322**	**P 894,148**
SEGMENT ASSETS AND LIABILITIES					
Total assets	**P 485,717**	**P 7,770,072**	**P 996,517**	**P 8,850,060**	**P 18,102,366**
Total liabilities	**P 257,383**	**P 1,438,480**	**P 198,845**	**P 62,174**	**P 1,956,882**
OTHER SEGMENT INFORMATION					
Capital expenditures	**P 94**	**P 125,982**	**P 8,712**	**P 3,415**	**P 138,203**
Depreciation and amortization	**1,737**	**26,066**	**57,579**	**977**	**86,359**
Impairment loss	**-**	**34**	**1,076**	**1,045**	**2,155**

	Distribution	Property and Related Services	Technical Support and Solutions	Investments and Others	Total
2020					
SEGMENT RESULTS					
Sales to external customers	P 205,561	P 215,573	P 577,235	P 153,663	P 1,152,032
Intersegment sales	16,566	72,022	16,836	221,000	326,424
Total revenues	222,127	287,595	594,071	374,663	1,478,456
Cost of sales, services, and rentals	155,718	163,051	421,524	90,040	830,332
Other operating expenses (income)	119,317	(190,199)	146,808	107,814	183,740
Operating profit (loss)	(52,908)	314,743	25,739	176,809	464,384
Finance income	3,633	33,864	4,683	29,011	71,191
Finance costs	(18,074)	(13,018)	(3,515)	(15,369)	(49,976)
Other gains (losses) – net	(791)	15,682	6,089	1,196	22,176
Profit (loss) before tax	(68,140)	351,271	32,996	191,647	507,775
Tax expense	2,961	113,990	9,928	13,225	140,104
Net profit (loss)	(P 71,101)	P 237,281	P 23,068	P 178,422	P 367,671
SEGMENT ASSETS AND LIABILITIES					
Total assets	P 737,153	P 7,266,848	P 1,012,496	P 8,709,240	P 17,725,737
Total liabilities	P 729,030	P 2,332,478	P 263,697	P 417,184	P 3,742,389
OTHER SEGMENT INFORMATION					
Capital expenditures	P 2,103	P 43,928	P 53,023	P 8,668	P 107,722
Depreciation and amortization	2,067	30,031	54,607	847	87,552
Impairment loss	8,166	6,137	7,199	470	21,972
2019					
SEGMENT RESULTS					
Sales to external customers	P 1,091,710	P 366,208	P 972,688	P 187,563	P 2,618,169
Intersegment sales	339	95,408	30,365	85,850	211,962
Total revenues	1,092,049	461,616	1,003,053	273,413	2,830,131
Cost of sales, services, and rentals	1,012,073	265,305	715,513	87,967	2,080,858
Other operating expenses (income)	256,109	(177,256)	163,491	94,692	337,037
Operating profit (loss)	(176,133)	373,567	124,049	90,754	412,236
Finance income	16,001	75,538	6,300	45,158	142,997
Finance costs	(8,017)	(14,940)	(5,823)	(11,505)	(40,285)
Other gains(losses) – net	(1,076)	3,982	7,944	2,185	13,035
Profit (loss) before tax	(169,225)	438,147	132,470	126,592	527,984
Tax expense (income)	101,202	125,087	40,414	19,512	286,215
Net profit (loss)	(P 270,427)	P 313,060	P 92,056	P 107,080	P 241,769
SEGMENT ASSETS AND LIABILITIES					
Total assets	P 846,760	P 7,002,053	P 1,084,544	P 8,545,419	P 17,478,776
Total liabilities	P 808,976	P 2,269,188	P 287,104	P 407,533	P 3,772,801

	Distribution	Property and Related Services	Technical Support and Solutions	Investments and Others	Total
OTHER SEGMENT INFORMATION					
Capital expenditures	P 187	P 84,840	P 32,407	P 2,593	P 120,027
Depreciation and amortization	948	45,817	55,934	853	103,552
Impairment loss	-	2,906	1,789	378	5,073

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	Intersegment Accounts	Consolidated Balances
2021			
Revenues	**P 1,835,109**	**(P 295,156)**	**P 1,539,953**
Net profit for the year	**894,148**	**(216,559)**	**677,589**
Total assets	**18,102,366**	**(5,117,196)**	**12,985,170**
Total liabilities	**1,956,882**	**(504,903)**	**1,451,979**
Other segment information:			
Capital expenditures	**138,203**	**-**	**138,203**
Depreciation and amortization	**86,359**	**32**	**86,391**
Impairment losses*	**2,155**	**-**	**2,155**
2020			
Revenues	P 1,478,456	(P 326,424)	P 1,152,032
Net profit for the year	367,671	(144,615)	223,056
Total assets	17,725,737	(5,421,992)	12,303,745
Total liabilities	3,742,389	(2,294,955)	1,447,434
Other segment information:			
Capital expenditures	107,722	-	107,722
Depreciation and amortization	87,552	110	87,662
Impairment losses*	21,972	-	21,972
2019			
Revenues	P 2,830,131	(P 211,962)	P 2,618,169
Net profit for the year	241,769	(15,204)	226,565
Total assets	17,478,776	(5,358,559)	12,120,217
Total liabilities	3,772,801	(2,293,464)	1,479,337
Other segment information:			
Capital expenditures	120,027	-	120,027
Depreciation and amortization	103,552	2,413	105,965
Impairment losses*	5,073	-	5,073

** The amount of impairment loss for 2021, 2020 and 2019 is gross of reversal of allowance for impairment losses totaling to P6,130, P2,401 and P2,762, respectively (see Note 6).*

4.6 Disaggregation of Revenues from Contracts with Customers and Other Counterparties

When the Group prepares its investor presentations and when the Group management evaluates the financial performance of the operating segments, it disaggregates revenue similar to its segment reporting as presented in Note 4.4. The Group determines that the categories used in the investor presentations and financial reports used by the Group's management can be used to meet the objective of the disaggregation disclosure requirement of PFRS 15, which is to disaggregate revenue from contracts with customers and other counterparties (except for rentals accounted for under PFRS 16 included herein as additional information) into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. A summary of additional disaggregation from the segment revenues and other unallocated income are shown below (amounts in thousands).

	Segment Revenues (Sales to External Customers)				
	Point in time	**Over time**	**Leases**	**Interest**	**Total**
December 31, 2021					
Distribution	P 310,997	P 6,161	P -	P -	P 317,158
Technical support and solutions	282,125	467,135	-	-	749,260
Rentals	-	-	240,777	-	240,777
Property and building	894	107,521	-	-	108,415
Investments and others	-	97,473	-	26,870	124,343
	P 594,016	**P 678,290**	**P 240,777**	**P 26,870**	**P 1,539,953**
December 31, 2020					
Distribution	P 144,416	P 61,146	P -	P -	P 205,562
Technical support and solutions	130,809	361,605	-	-	492,414
Rentals	-	-	242,738	-	242,738
Property and building	1,442	56,213	-	-	57,655
Investments and others	-	93,167	-	60,496	153,663
	P 276,667	P 572,131	P 242,738	P 60,496	P 1,152,032
December 31, 2019					
Digital mobile	P 1,031,276	P 60,434	P -	P -	P 1,091,710
Technical support and solutions	209,916	682,780	-	-	892,696
Rentals	-	-	250,910	-	250,910
Property and building	26,499	168,791	-	-	195,290
Investments and others	-	90,840	-	96,723	187,563
	P 1,267,691	P 1,002,845	P 250,910	P 96,723	P 2,618,169

The Group's segment revenues (sales to external customers) include rendering of services, sale of goods, rentals and sale of real estate which are presented in the consolidated statements of income.

5. CASH AND CASH EQUIVALENTS AND SHORT-TERM PLACEMENTS

5.1 Cash and Cash Equivalents

Cash and cash equivalents include the following components as of December 31:

	2021	2020
Cash on hand and in banks	**P 578,776,499**	P 381,955,327
Cash equivalents	**2,171,012,063**	536,379,832
	P 2,749,788,562	P 918,335,159

Cash in banks generally earn interest based on daily bank deposit rates. Cash equivalents pertain to highly liquid short-term investment with maturity periods varying from 1 to 90 days and earn annual interests ranging from 0.01% to 6.25% in both 2021 and 2020, and from 0.40% to 6.50% in 2019.

Interest earned from cash in banks and cash equivalents are presented as part of Interest under Revenues and as part of Finance Income under Other Income (Charges) – net in the consolidated statements of income (see Notes 4.6 and 20.2).

5.2 Short-term Placements

Short-term placements, presented separately in the consolidated statements of financial position, pertain to time deposits amounting to P1,702.5 million and P3,326.5 million as of December 31, 2021 and 2020, respectively, with maturity periods varying between 91 to 365 days in 2021 and 2020, and between 120 to 180 days in 2019, and earn effective interest ranging from 0.20% to 1.80% and from 0.52% to 4.25% in 2021 and 2020, respectively, and 4.0% in 2019.

Interest earned from short-term placements is presented as part of Interest under Revenues and as part of Finance Income under Other Income (Charges) – net in the consolidated statements of income (see Notes 4.6 and 20.2). The outstanding balance of such interest is presented as Interest receivable under Trade and Other Receivables account in the consolidated statements of financial position (see Note 6).

6. TRADE AND OTHER RECEIVABLES

This account is composed of the following:

	Notes	2021	2020
Current:			
Trade receivables	6.1, 25.5, 25.8, 25.9, 26.1, 26.3	**P 252,610,710**	P 265,387,193
Advances to:			
Suppliers	6.2, 25.1	**111,219,933**	85,144,368
Officers and employees	6.2, 25.10	**3,251,944**	2,843,312
Loans receivables	6.3, 25.3	**36,102,236**	23,152,970
Rental receivables	6.5, 25.2	**11,953,338**	6,063,870
Interest receivable	5, 7.2	**3,973,442**	8,270,753
Non-trade receivables		**1,292,431**	5,155,456
Other receivables	6.6	**14,283,557**	33,267,572
		434,687,591	429,285,484
Allowance for impairment	6.7	**(107,640,217)**	(114,129,144)
		327,047,374	315,156,350
Non-current:			
Trade receivables		**5,262,004**	8,163,915
Loans receivables	6.3, 25.3	**21,180,773**	15,775,309
Cash surrender value of investment in life insurance	6.4, 14	**812,093,251**	726,956,155
		838,536,028	750,895,379
		P 1,165,583,402	P 1,066,051,729

All trade receivables are subject to credit risk exposure [see Note 28.2(b)]. The Group does not identify specific concentration of credit risk with regard to trade and other receivables as the amounts recognized resemble a large number of receivables from various customers.

6.1 Trade Receivables

Trade receivables include the Group's receivables related to the sold condominium units which are being paid for by the customers in monthly installments. Certain receivables from trade customers are covered by post-dated checks. Trade receivables are measured at amortized cost and have annual effective interest rates ranging from 4.60% to 24.63% in both 2021 and 2020, and from 9.75% to 18.00% in 2019, depending on the payment terms. Trade receivables which are expected to be settled beyond one year after the end of the reporting period are classified as non-current trade and other receivables.

Interest earned from real estate sales amounting to P1.0 million, P1.2 million and P1.6 million in 2021, 2020 and 2019, respectively, and is presented as part of Finance Income under Other Income (Charges) – net in the consolidated statements of income (see Note 20.2).

Trade receivables from sale of goods and services are usually due within 30 to 45 days, generally unsecured and do not bear interest.

6.2 Advances

Advances to suppliers mainly include advance payments made by My Solid to suppliers for future purchases of mobile phone units and accessories (see Note 25.1). These also include advances made to various suppliers made by SVC for the purchase of pro-tapes, video and medical equipment, and spare parts. There were no impairment losses recognized in 2021 and 2020 as management believes that these advances are still recoverable. Further, the Group can apply the related payables to this related party in case it defaults.

Advances to officers and employees represent unsecured, noninterest-bearing cash advances for business-related expenditures and are subject to liquidation (see Note 25.10).

6.3 Loans Receivables

Loans receivables pertain to appliances loans, business loans and car loans offered by SMFI to its customers. Loans receivables that are expected to be settled beyond one year after the end of the reporting period or in the normal operating cycle of the business, if longer, are classified as part of non-current trade and other receivables.

In 2020, in response to the implementation of R.A. No. 11469, *Bayanihan to Heal as One Act*, SMFI granted its borrowers the deferral of payments of principal and interest due for two to four months. The management assessed that such has no material impact on the Group's consolidated financial statements.

Interest income recognized on the Group's loans receivables amounted to P6.1 million in 2021 and 2020, and P6.8 million in 2019, and are presented as part of Interest under Revenues in the consolidated statements of income (see Note 4.6). The effective interest rates on loans receivables range from 5.00% to 36.00% in 2021, from 4.00% to 36.00% in 2020 and from 8.00% to 30.00% in 2019.

6.4 Cash Surrender Value of Investment in Life Insurance

Cash surrender value of investment in life insurance pertains to insurance policies purchased by BRL for certain directors of the Parent Company. The beneficiary of this investment in life insurance is the Parent Company and accounted for under the cash surrender value method. Under this method, the initial cash surrender value of the insurance policies is recognized immediately in the consolidated statements of financial position. Subsequently, any increase in cash surrender value is recognized as part of Finance Income under Other Income (Charges) account – net in the consolidated statements of income (see Note 20.2). In 2021, 2020 and 2019, the increase in cash surrender value amounted to P43.3 million, P28.2 million and P43.5 million, respectively.

The cash surrender value of the investment in life insurance is used as collateral for interest-bearing loans obtained by BRL in the prior years (see Note 14).

6.5 Rental Receivables

Rental receivables represent uncollected monthly receivables from a related party and third-party tenants of the Group. This includes rent receivables arising from the application of PFRS 16, which represent the difference between the cash basis rent income and the straight-line rent income of all outstanding lease contracts as of the end of the reporting periods.

6.6 Other Receivables

Other receivables include amounts due from credit card companies for the sale of CCTV. This also includes testing fees and utility charges billed by the Group to its lessees. Further, this account consists of unsecured, noninterest-bearing cash advances made to the ZTC's Home Owners' Association for expenses incurred by the unit owners and related outstanding receivables.

6.7 Allowance for Impairment

All of the Group's trade and other receivables have been assessed for impairment based on the ECL model. The fair value of these short-term financial assets is not individually determined as the carrying amount is a reasonable approximation of fair value. Based on management's assessment of the ECL using the simplified approach, certain trade receivables were found to be impaired; hence, adequate amount of allowance for impairment have been recognized.

A reconciliation of the allowance for impairment on trade and other receivables at the beginning and end of 2021 and 2020 is shown below.

	2021	2020
Balance at beginning of year	**P 114,129,144**	P 103,786,556
Reversal of impairment losses	**(6,129,967)**	(2,400,558)
Write-off of receivable	**(1,480,740)**	(2,651,265)
Impairment losses during the year	**1,121,780**	15,394,411
Balance at end of year	**P 107,640,217**	P 114,129,144

The impairment losses and reversal of impairment losses is presented as Reversal for impairment losses on trade and other receivables – net and as Impairment losses on trade and other receivables – net under General and Administrative Expenses account in the consolidated statements of income (see Note 18).

7. INVESTMENTS

7.1 Financial Assets at Fair Value Through Other Comprehensive Income

The Parent Company has equity securities pertaining to its 33% equity ownership interest in the common stock of Sony Philippines, Inc. (SPI). This investment is related to the Joint Venture Agreement (JVA) executed in 1997 with Sony Corporation of Japan which has expired on May 8, 2005. On April 11, 2005, the Parent Company received a formal notice of the expiry of the JVA. The Parent Company and Sony Corporation have both agreed to pursue negotiations for an equitable settlement of all matters relating to the JVA and its expiration.

As a result of the above events, the Parent Company determined that it no longer has significant influence over the investee company. Consequently, it reclassified its remaining investment in shares of stock of SPI with total cost of P8.6 million to AFS financial assets in 2005. In 2018, upon the adoption of PFRS 9, the Parent Company reclassified such investment from AFS financial assets to financial assets at FVOCI.

The Parent Company determined that the fair value of this investment is nil as of December 31, 2021 and 2020.

On the other hand, the fair values of the Group's investments in club shares amounting to P27.4 million and P24.1 million, which represent proprietary membership club shares, as of December 31, 2021 and 2020, respectively, have been determined based on quoted prices in less active markets due to lack of trading activities among its participants (see Note 30.2).

A reconciliation of the net carrying amounts of financial assets at FVOCI is shown below.

	Note	**2021**	2020
Balance at beginning of year		**P 24,100,000**	P 26,100,000
Fair value gains (losses) - net	23.3	**3,300,000**	(2,000,000)
Balance at end of year		**P 27,400,000**	P 24,100,000

The recognized fair value gains (losses) - net are presented as item that will not be reclassified subsequently to profit or loss under Other Comprehensive Income (Loss) in the consolidated statements of comprehensive income.

7.2 Investment in Bonds

In 2021, the Parent Company invested in held-to-collect corporate bonds classified and measured at amortized cost amounting to P20.0 million, which bear fixed interest rate of 4.34% per annum and will mature on October 12, 2027. The amount of investment is presented as Investment in Bonds in the 2021 consolidated statement of financial position. There was no similar transaction in 2020.

Interest income generated from investment in bonds in 2021 amounted to P0.2 million, which is presented as part of Interest under Revenues in the 2021 consolidated statement of income. There was no similar transaction in 2020 and 2019. The outstanding balance of such interest amounting to P0.2 million as of December 31, 2021 is presented as part of Interest receivable under Trade and Other Receivables account in the 2021 consolidated statement of financial position (see Note 6). There was no outstanding balance as of December 31, 2020.

The Group's investment in bonds, which are subject to credit risk exposure [see Note 28.2 (e)], has been reviewed for impairment. Based on such review, the management determines that no impairment loss is needed to be recognized in 2021 as the bonds were in good credit standing as of December 31, 2021.

7.3 Investment in an Associate

In 2021 and 2020, the Company made deposits in the capital stock of Fekon amounting to P58.3 million and P18.2 million, respectively, in relation to the planned increase in authorized capital stock of the latter. As of December 31, 2021 and 2020, Fekon is still on the process of completing its documents on its application to increase its authorized capital stock with the SEC. Management believes that upon approval by the SEC, the Company will have significant influence over Fekon.

Accordingly, the deposits are recorded as Investment in an associate in the consolidated statements of financial position with total outstanding balance of P76.5 million and P18.2 million as of December 31, 2021 and 2020, respectively. Total equity interest of the Company as of December 31, 2021 and 2020 is at 44% and 28%, respectively.

Initially, the Company's investment is measured at cost and subsequently, upon approval of the application with the Commission, will be measured using equity method.

The summarized financial information for Fekon is shown below.

	2021	2020
Current assets	**P 151,068,368**	P 39,530,184
Non-current assets	**29,933,236**	27,774,936
Total assets	**P 181,001,604**	P 67,305,120
Current liabilities	**P 20,498,507**	P 4,832,963
Non-current liabilities	**175,016,563**	59,281,238
Total liabilities	**P 195,515,070**	P 64,114,201
Revenue	**P 61,424,400**	P 6,860,072
Net loss for the year	**(P 17,704,384)**	(P 7,009,081)

A reconciliation of the above summarized financial information to the carrying amount of the investment in Fekon is shown below.

	2021	2020
Net asset of Fekon*	**P 145,396,535**	P 57,686,479
Proportion of ownership interest	**44.0%**	28.0%
	63,974,475	16,209,901
Nominal goodwill in equity ownership	**12,537,525**	1,975,699
Carrying amount of investment	**P 76,512,000**	P 18,185,600

** Excluding deposit on future stock subscription presented under non-current liabilities.*

Fekon is a private company and there are no quoted prices available for its shares of stocks.

Fekon is incorporated and domiciled in the Philippines. Fekon's primary purpose is to engage business of manufacturing, selling, distributing, marketing, trading and assembling of all kinds of goods such as but not limited to motorcycles, e-bicycles, motor parts and products, electronic devices and other electronic merchandise. Fekon's registered office address and principal place of business is located at Block 7, Lot 8B, San Simon Industries Park, San Isidro, San Simon, Pampanga.

8. MERCHANDISE INVENTORIES AND SUPPLIES

Inventories at the end of 2021 and 2020 were stated at lower of cost or NRV. The details of inventories are shown below.

	Note	2021	2020
At cost:			
Merchandise inventories	17.1	**P 65,791,557**	P 43,313,910
Service parts, supplies and others		**30,576,460**	33,936,488
		96,368,017	77,250,398
At NRV:			
Merchandise inventories	17.1	**42,704,602**	174,648,907
Service parts, supplies and others		**14,336,595**	14,462,950
		57,041,197	189,111,857
Allowance for inventory obsolescence		**(28,528,333)**	(68,006,585)
		28,512,864	121,105,272
		P 124,880,881	P 198,355,670

The Group's inventories are composed of handsets, devices, spare parts, professional tapes, service supplies, equipment and accessories and modular houses. Handsets refer to tablets, devices pertain to mobile phones, and accessories pertain to jelly cases, headsets, power banks, memory cards, and others.

The movements in the allowance for inventory obsolescence are as follows:

	Notes	2021	2020
Balance at beginning of year		**P 68,006,585**	P 69,976,857
Provision for inventory obsolescence	17.1, 18	**851,992**	8,443,330
Reversal of allowance for inventory obsolescence	17.1, 18	**(40,330,244)**	(10,413,602)
		P 28,528,333	P 68,006,585

In 2021, 2020 and 2019, the Group made a reversal of provision from previous write-down of inventories amounting to P40.3 million, P10.4 million and P11.7 million, respectively, upon sale of those inventories. The reversal is included as an adjustment to Cost of Sales in the consolidated statements of income (see Notes 17.1 and 18).

The Group has no outstanding purchase commitment for the acquisition of merchandise inventories and supplies as of December 31, 2021 and 2020.

An analysis of the cost of inventories charged to operations in 2021, 2020 and 2019 is presented in Note 17.1.

9. REAL ESTATE INVENTORIES

This account is composed of:

	2021	2020
Land and land development costs:		
Land	P 4,265,299	P 4,265,299
Land development costs	35,281,523	35,281,523
	39,546,822	39,546,822
Allowance for impairment	(2,667,600)	(2,667,600)
	36,879,222	36,879,222
Property development costs – Construction in progress and development costs	400,908,113	400,248,973
	P 437,787,335	P 437,128,195

9.1 Land and Land Development Costs

Land and land development costs pertain to cost of land and related improvements, held by Starworld and LIIP, which are held for sale.

Under its registration with the Board of Investments, Starworld shall develop 118 hectares of land in its development project located in Calamba Premiere International Park (CPIP) in Bo. Prinza, Calamba City, Laguna. As of December 31, 2021 and 2020, lot areas totaling 83 hectares (65 hectares for Phase 1 and 18 hectares for Phase 2) were acquired and fully developed.

The allowance for impairment recognized in prior years pertains to the estimated cost of parcels of land and land development costs which may not be fully realized as a result of the Group's long-outstanding claims against the seller for the transfer of title to the name of LIIP. In 2020, the management assessed that the probability that they may recover the carrying amount of the property is remote; hence, an impairment loss amounting to P0.6 million was recorded for the full impairment of such property and is presented as Impairment loss on land and land development costs under General and Administrative Expenses account in the 2020 consolidated statement of income (see Note 18). There were no impairment losses recognized in 2021 and 2019.

Also, in 2008, in relation to the same property mentioned in the preceding paragraph, a judgment award against LIIP requiring it to pay an amount of P0.1 million was issued by the Court of Appeals. Such amount is presented as part of Other payables under Trade and Other Payables account in the 2019 consolidated statement of financial position.
In 2020, the Group reversed the provision on award damages due to the expiration of the prescription period of the judgment made by the Court of Appeals and recorded such as Gain on reversal of provision under Other Gains – net account in the 2020 consolidated statement of income (see Note 20.3). Accordingly, there were no outstanding provisions as of December 31, 2021 and 2020.

9.2 Property Development Costs

Property development costs pertain to the cost of land used as a building site and the accumulated construction costs of the condominium building project being developed by ZT, which are also for sale.

Property development costs, at the end of each reporting periods, represent condominium units for sale, construction in progress of land and Tower 3, office tower and parking units for which ZTC has been granted permit to sell by the Housing and Land Use Regulatory Board of the Philippines.

The Group, through ZTC, has initiated the planning and construction of the Tri Towers condominium building (see Note 27.4). The construction was started in 2005. The accumulated construction costs (including cost of the land) were eventually transferred to ZTC. The construction of Tower 1 and Tower 2 were completed in 2008 and 2012, respectively, and while the construction of Tower 3 has not yet started, it has incurred expenses for the planning phase as of December 31, 2021 and 2020. Initial expenses incurred for the construction of Tower 3 were capitalized and presented as part of Real Estate Inventories account. Although the completion of the construction of Tower 3 is still indefinite due to the effects of COVID-19 pandemic on the Group's business operations as of December 31, 2021 (see Note 1.3), management believes that related asset is still recoverable as of the reporting periods.

10. LEASES

The Group is a lessee under non-cancellable operating leases covering certain office spaces and satellite offices. The lease for these business spaces has a term of two to five years. All leases have renewal options. Generally, termination of lease contracts shall be communicated to the lessee by the lessor prior to the termination or expiration of the lease contract. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected in the statements of financial position as a right-of-use asset and a lease liability. The Group classifies its right-of-use assets and lease liabilities as separate line items in the consolidated statements of financial position. Each lease generally imposes a restriction that, unless there is a contractual right for the Group to sublease the asset to another party, the right-of-use asset can only be used by the Group. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. The Group is prohibited from selling or pledging the underlying leased assets as security. The Group must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. Further, the Group must insure the leased assets and incur maintenance fees on such items in accordance with the lease contracts.

Refundable security deposits represent the lease deposits made for the lease of the Group's business spaces. Related security deposits for these leases amounted to P14.1 million and P14.2 million as of December 31, 2021 and 2020, respectively, and are presented as part of Other Current Assets and Other Non-current Assets account in the consolidated statements of financial position (see Note 13). Refundable security deposits which are expected to be settled beyond one year after the end of the reporting period are classified as non-current assets.

10.1 Right-of-use Assets

The carrying amounts of the Group's right-of-use assets, which pertain to office spaces, as of December 31, 2021 and 2020, including the movements during the reporting period are shown below.

	2021	2020
Balance at beginning of year	**P 9,549,297**	P 14,762,222
Additions	**427,837**	-
Amortization	**(4,303,497)**	(5,212,925)
Balance at end of year	**P 5,673,637**	P 9,549,297

The total amortization on the right-of-use assets is presented as part of Depreciation and amortization under Cost of Services in the consolidated statements of income (see Notes 17.2 and 18).

10.2 Lease Liabilities

Lease liabilities are presented in the consolidated statements of financial position as of December 31, 2021 and 2020 as follows:

	2021	2020
Current	**P 3,711,489**	P 4,150,895
Non-current	**2,878,860**	6,370,471
	P 6,590,349	P 10,521,366

The movements in the lease liabilities recognized in the consolidated statements of financial position as of December 31 are as follows:

	2021	2020
Balance at beginning of year	**P 10,521,366**	P 15,363,477
Additional lease liabilities	**427,837**	-
Interest accretion	**596,418**	823,728
Repayments of lease liabilities	**(4,955,272)**	(5,665,839)
	P 6,590,349	P 10,521,366

The use of extension and termination options gives the Group added flexibility in the event it has identified more suitable premises in terms of cost and/or location or determined that it is advantageous to remain in a location beyond the original lease term. An option is only exercised when consistent with the Group's regional markets strategy and the economic benefits of exercising the option exceeds the expected overall cost.

The table below describes the nature of the Group's leasing activities by type of right-of-use asset recognized in the consolidated statements of financial position.

	Number of right-of-use assets leased	Range of remaining term	Average remaining lease term	Number of leases with extension options	Number of leases with termination options
December 31, 2021					
Office space	9	3 months to 2 years and 11 months	1 year and 5 months	6	-
December 31, 2020					
Office space	8	1 year and 4 months to 3 years and 11 months	2 years and 6 months	6	-

As of December 31, 2021 and 2020, the Group has no commitments for leases entered into which had not commenced.

The undiscounted maturity analysis of lease liabilities of December 31, 2021 and 2020 is as follows:

	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	Total
December 31, 2021					
Lease payments	P 4,023,991	P 2,255,438	P 767,960	P -	P 7,047,389
Finance charges	(312,502)	(125,161)	(19,377)	-	(457,040)
Net present values	**P 3,711,489**	**P 2,130,277**	**P 748,583**	**P -**	**P 6,590,349**
December 31, 2020					
Lease payments	P 4,727,271	P 3,795,991	P 2,255,438	P 767,960	P 11,546,660
Finance charges	(576,376)	(304,380)	(125,161)	(19,377)	(1,025,294)
Net present values	P 4,150,895	P 3,491,611	P 2,130,277	P 748,583	P 10,521,366

10.3 Lease Payments Not Recognized as Liabilities

The Group has elected not to recognize lease liabilities for short-term leases or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognized as lease liabilities and are expensed as incurred.

The amount of expense relating to short-term leases for the year ended December 31, 2021 and 2020 is allocated in the consolidated statements of income as follows:

	Notes	**2021**	2020	2019
Cost of services	17.2	**P 5,215,617**	P 6,366,409	P 6,679,699
Cost of rental	17.3	**17,937,677**	7,203,364	16,029,015
General and administrative expenses		**4,721,282**	2,055,517	3,628,000
	18	**P 27,874,576**	P 15,625,290	P 26,336,714

10.4 Additional Profit or Loss and Cash Flow Information

The total cash outflow in respect of leases, including interest, amounted to P5.0 million, P5.7 million and P6.7 million in 2021, 2020 and 2019, respectively. Interest expense in relation to lease liabilities amounted to P0.6 million, P0.8 million and P1.0 million in 2021, 2020 and 2019, respectively, and is presented as part of Finance costs under Other Income (Charges) – net in the consolidated statements of income (see Note 20.1).

11. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation, amortization and impairment losses of property and equipment at the beginning and end of 2021 and 2020 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, 2021											
Cost	P 1,277,854,682	P 359,206,004	P 192,796,418	P 295,738,000	P 250,520,348	P 22,909,095	P 86,152,648	P 111,245,598	P 100,455,133	P -	P 2,696,877,926
Accumulated depreciation and amortization	-	(144,232,356)	(157,795,381)	(266,605,095)	(189,910,156)	(14,935,652)	(76,319,893)	(106,709,705)	(78,861,360)	14,346,250	(1,021,023,348)
Accumulated impairment losses	-	(35,000,000)	-	-	-	-	-	-	-	(14,346,250)	(49,346,250)
Net carrying amount	**P 1,277,854,682**	**P 179,973,648**	**P 35,001,037**	**P 29,132,905**	**P 60,610,192**	**P 7,973,443**	**P 9,832,755**	**P 4,535,893**	**P 21,593,773**	**P -**	**P 1,626,508,328**
December 31, 2020											
Cost	P 1,277,854,682	P 344,972,122	P 192,632,526	P 269,746,237	P 247,724,563	P 14,883,239	P 86,025,607	P 113,491,155	P 92,941,174	P 28,048,367	P 2,668,319,672
Accumulated depreciation and amortization	-	(125,668,565)	(147,908,769)	(239,637,882)	(162,714,267)	(12,450,828)	(75,512,460)	(102,698,058)	(72,377,007)	-	(938,967,836)
Accumulated impairment losses	-	(35,000,000)	-	-	-	-	-	-	-	(14,346,250)	(49,346,250)
Net carrying amount	P 1,277,854,682	P 184,303,557	P 44,723,757	P 30,108,355	P 85,010,296	P 2,432,411	P 10,513,147	P 10,793,097	P 20,564,167	P 13,702,117	P 1,680,005,586
January 1, 2020											
Cost	P 1,277,854,682	P 343,390,748	P 189,870,508	P 265,014,330	P 200,486,706	P 13,167,261	P 85,796,673	P 111,813,691	P 89,044,034	P 23,827,944	P 2,600,266,577
Accumulated depreciation and amortization	-	(107,081,606)	(136,702,975)	(223,512,113)	(139,828,040)	(11,066,123)	(74,238,001)	(97,951,244)	(66,248,749)	-	(856,628,851)
Accumulated impairment losses	-	(35,000,000)	-	-	-	-	-	-	-	(14,346,250)	(49,346,250)
Net carrying amount	P 1,277,854,682	P 201,309,142	P 53,167,533	P 41,502,217	P 60,658,666	P 2,101,138	P 11,558,672	P 13,862,447	P 22,795,285	P 9,481,694	P 1,694,291,476

A reconciliation of the carrying amounts of property and equipment at the beginning and end of 2021 and 2020 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, 2021, net of accumulated depreciation, amortization and impairment losses	P 1,277,854,682	P 184,303,557	P 44,723,757	P 30,108,355	P 85,010,296	P 2,432,411	P 10,513,147	P 10,793,097	P 20,564,167	P 13,702,117	P 1,680,005,586
Additions	-	2,649,079	2,241,472	4,580,387	2,801,785	8,025,856	132,825	-	4,829,809	3,036,805	28,298,018
Reclassification	-	11,584,803	-	23,827,945	-	-	-	-	2,732,202	(31,085,172)	7,059,778
Disposals – net	-	-	(2,077,580)	(2,416,569)	(6,000)	-	(5,784)	(2,245,557)	(48,051)	-	(6,799,541)
Depreciation and amortization charges for the year	-	(18,563,791)	(9,886,612)	(26,967,213)	(27,195,889)	(2,484,824)	(807,433)	(4,011,647)	(6,484,354)	14,346,250	(82,055,513)
Balance at December 31, 2021, net of accumulated depreciation, amortization and impairment losses	**P 1,277,854,682**	**P 179,973,648**	**P 35,001,037**	**P 29,132,905**	**P 60,610,192**	**P 7,973,443**	**P 9,832,755**	**P 4,535,893**	**P 21,593,773**	**P -**	**P 1,626,508,328**
Balance at January 1, 2020, net of accumulated depreciation, amortization and impairment losses	P 1,277,854,682	P 201,309,142	P 53,167,533	P 41,502,217	P 60,658,666	P 2,101,138	P 11,558,672	P 13,862,447	P 22,795,285	P 9,481,694	P 1,694,291,476
Additions	-	1,581,374	2,762,018	4,772,251	49,110,357	1,715,978	228,934	1,677,464	4,066,951	4,220,423	70,135,750
Disposals – net	-	-	-	(40,344)	(1,872,500)	-	-	-	(169,811)	-	(2,082,655)
Depreciation and amortization charges for the year	-	(18,586,959)	(11,205,794)	(16,125,769)	(22,886,227)	(1,384,705)	(1,274,459)	(4,746,814)	(6,128,258)	-	(82,338,985)
Balance at December 31, 2020, net of accumulated depreciation, amortization and impairment losses	P 1,277,854,682	P 184,303,557	P 44,723,757	P 30,108,355	P 85,010,296	P 2,432,411	P 10,513,147	P 10,793,097	P 20,564,167	P 13,702,117	P 1,680,005,586

Construction in progress pertains to accumulated costs incurred on building improvements being constructed in various properties of the Group. In 2021 and 2020, no borrowing costs were capitalized.

In 2021 and 2020, the Group sold certain property and equipment with carrying amounts of P6.8 million and P2.1 million, respectively. Aside from these assets, the Group also disposed of certain fully depreciated and amortized property and equipment with original cost of P0.8 million and P3.5 million in 2021 and 2020, respectively. The Group recognized gain on disposal of these property and equipment totaling P1.4 million, P1.6 million and P0.5 million in 2021, 2020 and 2019, respectively, which are presented as part of Other Gains – net in the consolidated statements of income (see Note 20.3).

Further, in 2019, the Group retired certain fully depreciated property and equipment with acquisition cost of P3.5 million. There was no similar transaction in 2021 and 2020.

The cost of fully depreciated property and equipment still used in operations amounted to P546.6 million and P460.5 million as of December 31, 2021 and 2020, respectively.

The amount of depreciation and amortization computed on property and equipment is presented as part of the following accounts:

	Notes	**2021**	2020	2019
Cost of services	17.2	**P 55,033,545**	P 49,391,061	P 38,880,942
Cost of rentals	17.3	**15,173,681**	16,074,574	30,101,396
General and administrative expenses		**11,848,287**	16,873,350	28,327,519
	18	**P 82,055,513**	P 82,338,985	P 97,309,857

In 2019, the Group derecognized certain service equipment with net book value of P9.9 million. The related expense from the derecognition is presented as part of Equipment cost under Cost of Services in the 2019 consolidated statement of income (see Note 17.2). There was no similar transaction in 2021 and 2020.

As of December 31, 2021 and 2020, none of the Group's property and equipment were held as collateral for loans. Further, no impairment losses were recognized in 2021, 2020 and 2019 as the management believes that the carrying amount of property and equipment is recoverable in full.

There were no restrictions on titles and items of property and equipment as of December 31, 2021 and 2020.

12. INVESTMENT PROPERTIES

The Group's investment properties, accounted for under the fair value method, consists mainly of land and improvements, and buildings and improvements that are held under operating lease agreements. These properties earn rental income amounting to P240.8 million, P242.7 million and P250.9 million in 2021, 2020 and 2019, respectively, and are presented as Rentals under Revenues in the consolidated statements of income. The Group also incurred direct costs such as real property taxes, repairs and maintenance and utilities, which are presented as part of Cost of Rentals in the consolidated statements of income (see Note 17.3).

The fair values of the Group's investment properties as of December 31, 2021 and 2020 were determined based on appraisal report dated December 12, 2021 and November 12, 2020, respectively. Management obtains annual appraisal reports on its investment properties from independent appraisers (see Note 30.4).

The changes in the carrying amounts of investment property as of December 31 as presented in the consolidated statements of financial position are summarized as follows:

	Land and Improvements	Building and Improvements	Construction in Progress	Total
2021:				
Balance at beginning of year	P 3,170,872,205	P 797,160,400	P 66,986,947	P 4,035,019,552
Additions	23,292,478	18,894,854	68,327,672	110,515,004
Fair value gains (losses) on investment property – net (see Note 19)	513,501,814	(12,552,414)	-	500,949,401
Reclassification	-	15,421,697	(22,481,475)	(7,059,778)
Derecognition due to cancelled project	-	-	(609,929)	(609,929)
Balance at end of year	**P 3,707,666,498**	**P 818,924,537**	**P 112,223,215**	**P 4,638,814,250**
2020:				
Balance at beginning of year	P 2,867,432,506	P 821,425,580	P 51,264,577	P 3,740,122,663
Additions	9,495,612	412,946	19,252,162	29,160,720
Fair value gains (losses) on investment property – net (see Note 19)	293,944,087	(28,207,918)	-	265,736,169
Reclassification	-	3,529,792	(3,529,792)	-
Balance at end of year	P 3,170,872,205	P 797,160,400	P 66,986,947	P 4,035,019,552

In 2021 and 2020, the Group incurred expenses amounting to P23.3 million and P9.5 million, respectively, which pertains to land preparation for the planned construction of its building and is presented as part of Investment Property in the consolidated statements of financial position.

Due to the pandemic, certain projects were put on hold and were eventually cancelled in 2021. As a result, the Company received P0.5 million as refund from contractors and P0.1 million were expensed directly. The refund is presented as part of Other Gains - net under Other Income (Charges) - net and the expense as part of Miscellaneous under Operating Expense in the 2021 statement of income (see Notes 19 and 20.3). There was no similar transaction in 2020.

In 2021, the Company started its construction of certain warehouse intended for leasing purposes. Expenses incurred were capitalized and are recorded as part of Construction in Progress. There were no capitalized borrowing costs in 2021 and 2020.

The fair value gains (losses) on investment properties are presented under Other Operating Income – net in the consolidated statements of income (see Note 19).

As of December 31, 2021 and 2020, none of the Group's investment properties were held as collateral.

13. OTHER ASSETS

The composition of these accounts as of December 31 is shown below.

	Notes	2021	2020
Current:			
Creditable withholding taxes		**P 119,374,481**	P 116,432,791
Input VAT – net	13.4	**41,596,678**	59,372,844
Prepayments	13.4	**31,265,886**	25,770,054
Deferred input VAT – net		**17,124,283**	19,819,019
Deferred costs	13.4	**14,274,204**	114,888,306
Refundable deposits	10	**10,899,453**	11,137,067
Others	13.4	**2,520,878**	4,039,123
		237,055,863	351,459,204
Non-current:			
Intangible assets – net	13.1	**13,053,772**	13,086,188
Deposits to suppliers – net	13.4	**3,347,774**	3,347,774
Refundable deposits	10	**3,243,420**	3,063,328
Cash bond	13.2	**680,834**	680,834
Others	13.4	**5,953,262**	6,293,668
		26,279,062	26,471,792
		P 263,334,925	P 377,930,996

13.1 Intangible Assets

Intangible assets include non-proprietary club shares and computer software licenses, which are accounted for under the cost model. The gross carrying amounts and accumulated amortization of intangible assets as of December 31 are shown below.

	2021	2020
Cost	**P 33,527,829**	P 33,527,829
Accumulated amortization	**(20,474,057)**	(20,441,641)
Net carrying amount	**P 13,053,772**	P 13,086,188

A reconciliation of the carrying amounts of intangible assets at the beginning and end of 2021 and 2020 is shown below.

	2021	2020
Balance at the beginning of year, net of accumulated amortization	**P 13,086,188**	P 5,042,784
Amortization during the year	**(32,416)**	(110,168)
Additions	**-**	8,425,699
Impairment loss	**-**	(272,127)
Balance at end of year, net of accumulated amortization	**P 13,053,772**	P 13,086,188

Intangible asset is subject to annual impairment testing and whenever there is an indication of impairment. In 2020, certain non-proprietary club shares were assessed to be impaired as determined by the management; hence, adequate amount of allowance for impairment has been recognized. The impairment loss is presented as Impairment loss on intangible assets under General and Administrative Expenses in the 2020 consolidated statement of income (see Note 18). No impairment loss on intangible asset was recognized in 2021 and 2019 as the recoverable amount of intangible asset determined by management is higher than its carrying value.

Amortization charges amounting to P0.03 million, P0.1 million and P2.4 million in 2021, 2020 and 2019, respectively, are presented as part of Depreciation and amortization under General and Administrative Expenses in the consolidated statements of income (see Note 18).

No intangible asset has been pledged as security for any liabilities. There were no other contractual commitments entered into in 2021 and 2020 related particularly for intangible asset.

13.2 Cash Bond

Cash bond represents deposits made with the Bureau of Customs for taxes and duties related to its importations. As of December 31, 2021 and 2020, the total amount is currently demandable; however, the Group does not expect to refund the cash bond within 12 months from the end of the reporting period.

13.3 Deposits on Acquisition of Land

In 2018, the Group made advance payments for the acquisition of land intended for future development amounting to P105.4 million. However, in 2019, such acquisition of land was cancelled due to the exercised right of redemption of the previous owner. The Group received an amount of P111.9 million as a result of redemption and recorded an interest income of P6.5 million which is presented as part of Finance income under Other Income (Charges) in the 2019 consolidated statement of income (see Note 20.2). There is no similar transaction in 2021 and 2020.

13.4 Others

Deferred costs represent cost of inventories which have not been charged to cost of sales pending the completion of the SVC's projects. In 2021, upon the resume of SVC's operations and continuation of all projects deferred in previous years due to the pandemic, significant amount of deferred cost has been charged to cost of sales and services.

Prepayments pertain to prepaid insurance, prepaid rent, and prepayments for professional fees, import charges and others.

Deposits to suppliers represent refundable amount paid by the Group to its suppliers for the distribution utilities provided to the Group.

Other current assets include deferred installation costs which pertain to the costs paid by the Group to its contractors for the installation of modular houses. Upon completion of installation, the cost is transferred to cost of sales. On the other hand, other non-current assets mostly pertain to land properties held by SMC which are subject to transfer to certain individuals under R.A. No. 6657, *Comprehensive Agrarian Reform Law of 1988*.

In 2021, the management assessed that the carrying amount of the input VAT of LIIP may no longer be recoverable; hence, an impairment loss for the full amount of P33,579 was recorded and is presented as Impairment loss on input VAT in the 2021 consolidated statement of income (see Note 18). There was no similar transaction in 2020 and 2019.

14. INTEREST-BEARING LOANS

The Group's short-term interest-bearing loans pertains to loan of BRL which are denominated in USD. These loans are secured by a portion of the cash surrender value of investment in life insurance (see Note 6.4). However, as of December 31, 2020, BRL had fully settled these loans. No similar loans obtained in 2021.

Previously, the outstanding loans have maturities ranging from 30 days to one year, and bear interest at prevailing annual average market rates ranging from 2.07% to 3.90% in 2020 and from 3.84% to 3.90% in 2019. Interest expense amounted to P1.0 million and P3.1 million in 2020 and 2019, respectively, and is shown as part of Finance costs under Other Income (Charges) account in the consolidated statements of income (see Note 20.1). There was no outstanding interest as of December 31, 2021 and 2020.

15. TRADE AND OTHER PAYABLES

This account consists of:

	Notes	2021	2020
Trade payables	25.1	**P 303,700,294**	P 234,351,992
Accrued expenses		**33,615,799**	38,614,841
Refundable deposits	25.2	**29,326,745**	33,946,295
Non-trade payables		**19,725,970**	17,349,457
Deferred output VAT		**15,259,938**	14,940,738
Unearned rental		**12,710,990**	20,896,173
Withholding taxes payable		**7,743,868**	3,717,138
Advances from customers		**5,187,603**	5,853,920
Rentals payable		**4,278,523**	4,278,523
Accrued dealers' incentives		**3,742,497**	4,266,497
Output VAT		**3,596,297**	4,178,219
Reserve for warranty costs		**2,294,308**	1,152,611
Retention payable		**263,620**	307,043
Other payables		**14,035,280**	13,342,093
		P 455,481,732	P 397,195,540

Trade payables mainly represent obligations to various suppliers for the acquisition of goods, materials and supplies necessary for the Group's operations and productions.

Accrued expenses include amounts charged for rentals, outside services, salaries and other incidental operating expenses of the Group which are expected to be settled within the next reporting period.

The Group receives refundable deposits from various lessees. The long-term portion of the refundable deposits from various tenants is shown as a separate line item in the consolidated statements of financial position (see Note 16). Refundable deposits are remeasured at amortized cost using the effective interest rates ranging from 2.7% to 4.18% in 2021, from 4.18% to 5.50% in 2020 and from 4.58% to 6.25% in 2019 at the inception of the lease term. The Group recognized a gain amounting to P0.2 million in 2019, which is presented as part of Finance income under Other Income (Charges) account in the 2019 consolidated statement of income (see Note 20.2). No gain or loss on discounting was recognized in 2021 and 2020. On the other hand, interest expense recognized from the amortization of refundable deposits amounting to P0.2 million in 2021, and P0.7 million in both 2020 and 2019, are presented as part of Finance costs under Other Income (Charges) account in the consolidated statements of income (see Note 20.1).

Unearned rentals represent advance payments received from lessees.

Nontrade payables are the obligations arising from transactions that are not within the ordinary course of business which includes lessees' deposits for electricity, communication costs, gasoline expenses, professional fees and others.

The outstanding deferred output VAT arises from the outstanding receivables on the Group's sale of services.

Accrued dealers' incentives pertain to rebates awarded to dealers once certain level of sales were achieved during a particular period.

Advances from customers pertain to the integration services in progress and customer deposit on sale of goods paid in advance to the Group.

A provision is recognized for expected warranty claims on products sold during the year based on the Group's past experience on the level of repairs and returns. The movements in the Reserve for warranty costs account are as follows:

	Notes	**2021**	2020
Balance at beginning of year		**P 1,152,611**	P 1,737,041
Provisions for warranty claims	18	**1,550,923**	-
Actual warranty claims		**(409,226)**	(543,774)
Reversal of reserve for warranty claims	19	**-**	(40,656)
Balance at end of year		**P 2,294,308**	P 1,152,611

In 2021 and 2019, additional provision for warranty claims is recognized and is presented under General and Administrative Expenses in the 2021 and 2019 consolidated statements of income (see Note 18). There was no additional provision in 2020.

Other payables primarily consist of payroll-related liabilities and due to government agencies for unpaid contributions for social security and other benefits of the Group's employees.

In 2021 and 2019, the Group has written off certain trade and other payables as management assessed that these liabilities will not be collected anymore. The related gains amounting to P3.5 million and P2.9 million, respectively, are presented as part of Other Gains – net in the 2021 and 2019 consolidated statements of income (see Note 20.3). There was no similar transaction in 2020.

Management considers the carrying amounts of trade and other payables recognized in the statements of financial position to be reasonable approximation of their fair values.

16. REFUNDABLE DEPOSITS

SMC, Kita and ZTC have long-term refundable deposits from various tenants totaling P26.2 million and P28.9 million as of December 31, 2021 and 2020, respectively. The refundable deposits are remeasured at amortized cost using the effective interest ranging from 3.48% to 5.50% at the inception of the lease terms.

In 2021, certain security deposits of Kita were offset against rental and other receivables amounting to P4.5 million. There was no similar transaction occurred in 2020.

SMC recognized gain on discounting of its refundable deposits amounting to P0.2 million in 2019 and is presented as part of the Finance Income in the 2019 consolidated statement of income (see Note 20.2). There was no similar transaction in 2021 and 2020

These refundable deposits, with maturity of more than one year, are shown as a separate line item under Non-current Liabilities section of the consolidated statements of financial position.

17. COSTS OF SALES, SERVICES, RENTALS AND REAL ESTATE SALES

17.1 Cost of Sales

The details of this account are shown below.

	Notes	**2021**	2020	2019
Merchandise inventories at beginning of year	8	**P 217,962,817**	P 180,270,311	P 798,017,743
Net purchases of merchandise inventories during the year	18, 25.1	**424,529,100**	285,527,669	568,871,114
Goods available for sale		**642,491,917**	465,797,980	1,366,888,857
Merchandise inventories at end of year	8	**(108,496,159)**	(217,962,817)	(180,270,311)
Net reversal of allowance for inventory obsolescence	8	**(39,478,252)**	(1,970,272)	(8,650,495)
	18	**P 494,517,506**	P 245,864,891	P 1,177,968,051

17.2 Cost of Services

The following are the breakdown of direct costs and expenses from rendering of services:

	Notes	2021	2020	2019
Service fees	26.3	**P 94,115,062**	P 90,039,141	P 87,967,104
Materials, supplies and other consumables		**88,703,886**	77,360,553	93,663,373
Subcontracting services		**69,856,400**	73,872,514	97,070,053
Depreciation and amortization	10.1, 11	**59,337,042**	54,603,986	45,122,750
Salaries and employee benefits	21.1	**51,851,788**	51,566,491	64,590,362
Equipment cost	11	**32,536,922**	230,469	36,060,896
Transportation and travel		**25,951,583**	19,957,560	22,509,326
Outside services		**22,679,120**	25,335,816	189,812,351
Communication, light and water		**18,315,025**	17,623,897	29,872,910
Food and beverage		**13,977,836**	6,311,525	14,321,365
Repairs and maintenance		**10,695,435**	7,795,958	11,231,275
Rentals	10.3	**5,215,617**	6,366,409	6,679,699
Integration		**4,781,219**	435	779,709
Insurance		**4,183,663**	4,175,154	3,351,644
Advertising and promotions		**944,444**	461,804	1,688,202
Others		**5,179,268**	6,529,140	13,104,540
	18	**P 508,324,310**	P 442,230,852	P 717,825,559

17.3 Cost of Rentals

The details of this account are as follows:

	Notes	2021	2020	2019
Taxes and licenses		**P 18,767,485**	P 27,138,083	P 31,501,641
Rentals	10.3	**17,937,677**	7,203,364	16,029,015
Depreciation and amortization	11	**15,173,681**	16,074,574	30,101,396
Outside services		**9,410,241**	8,225,917	6,703,048
Repairs and maintenance		**2,332,536**	1,159,391	4,509,381
Salaries and employee benefits	21.1	**1,058,275**	943,261	944,372
Others		**1,848,913**	4,247,861	8,010,455
	18	**P 66,528,808**	P 64,992,451	P 97,799,308

Others primarily consists of labor costs, materials, supplies and transportation and travel expenses.

17.4 Cost of Real Estate Sales

This account pertains to the Group's cost of condominium units and parking lots amounting to P0.4 million and P3.8 million in 2021 and 2019, respectively (see Note 18). No sale of real estate inventories occurred in 2020.

18. OPERATING EXPENSES BY NATURE

The details of operating expenses by nature are shown below.

	Notes	2021	2020	2019
Net purchases of merchandise inventories	17.1, 25.1	**P 424,529,100**	P 285,527,669	P 568,871,114
Salaries and employee benefits	21.1, 21.2, 25.6	**230,734,289**	247,346,738	274,044,327
Changes in merchandise, finished goods and work-in-process inventories	17.1	**109,466,658**	(37,692,506)	617,747,432
Service fees	26.3	**94,065,598**	90,039,141	87,967,104
Materials, supplies and other consumables		**91,448,092**	81,234,254	99,033,164
Depreciation and amortization	10.1, 11, 13.1	**86,391,426**	87,662,078	105,965,285
Outside services		**70,830,127**	76,358,599	266,937,291
Subcontracting services		**69,747,800**	75,665,364	90,323,073
Utilities and communication		**61,446,821**	52,621,897	77,337,014
Taxes and licenses		**50,649,892**	55,553,521	68,173,460
Transportation and travel		**39,009,180**	28,820,409	49,310,079
Equipment cost		**32,536,922**	299,043	36,060,896
Rentals	10.3	**27,874,576**	15,625,290	26,336,714
Repairs and maintenance		**23,536,275**	17,885,045	28,255,770
Food and beverage		**13,977,836**	6,311,525	13,901,365
Representation and entertainment		**5,016,096**	3,623,514	8,281,075
Integration		**4,781,219**	435	779,709
Installation cost		**3,688,022**	1,433,133	9,712,418
Provisions for warranty claims	15	**1,550,923**	-	16,768,848
Advertising and promotions		**1,352,057**	5,381,582	26,325,405
Warranty claims		**1,039,764**	-	-
Impairment losses on advances to related parties	25.4	**1,000,000**	5,661,017	-
Cost of condominium units and parking lots	17.4	**434,180**	-	3,796,170
Impairment loss on input VAT	13.4	**33,579**	-	-
Impairment losses on trade and other receivables – net	6.7	**-**	12,993,853	2,310,564
Excess of actual over standard input VAT		**-**	1,414,173	481,572
Impairment loss on land and land development costs	9.1	**-**	644,800	-
Impairment loss on intangible assets	13.1	**-**	272,127	-
Loss on unrecoverable advances	25.1	**-**	-	5,722,019
Reversal for inventory obsolescence – net	8	**(39,478,252)**	(1,970,272)	(8,650,495)
Reversal for impairment losses on trade and other receivables – net	6.7	**(5,008,187)**	-	-
Miscellaneous		**30,999,288**	21,377,204	90,920,686
		P 1,431,653,281	P 1,134,089,633	P 2,566,712,059

These expenses are classified in the consolidated statements of income as follows:

	Notes	2021	2020	2019
Cost of sales	17.1	**P 494,517,506**	P 245,864,891	P 1,177,968,051
Cost of services	17.2	**508,324,310**	442,230,852	717,825,559
Cost of rentals	17.3	**66,528,808**	64,992,451	97,799,308
Cost of real estate sales	17.4	**434,180**	-	3,796,170
General and administrative expenses		**317,581,180**	327,095,389	396,355,760
Selling and distribution costs		**44,267,297**	53,906,050	172,967,211
		P 1,431,653,281	P 1,134,089,633	P 2,566,712,059

19. OTHER OPERATING INCOME (EXPENSE)

The breakdown of this account is as follows:

	Notes	2021	2020	2019
Fair value gains on investment property – net	12	**P 500,949,401**	P 265,736,169	P 277,777,788
Income from utilities charged to tenants		**26,093,341**	23,469,460	36,505,698
Common usage service area	25.2	**12,630,720**	12,559,189	16,283,304
Revenue share from embedded third party application		**532,610**	1,375,552	2,047,915
Excess of standard input VAT over actual input VAT		**-**	2,302,528	236,976
Reversal of reserve for warranty costs	15	**-**	40,656	795,043
Miscellaneous – net		**12,963,653**	2,924,737	(240,948)
		P 553,169,725	P 308,408,291	P 333,405,776

20. OTHER INCOME (CHARGES)

Other Income (Charges) – net include Finance Costs account, Finance Income account and Other Gains – net account as presented in the consolidated statements of income.

20.1 Finance Costs

This account consists of the following:

	Notes	2021	2020	2019
Foreign currency exchange losses		**P 1,414,996**	P 39,293,691	P 23,038,855
Interest expense on lease liabilities	10.4	**596,418**	823,728	1,027,210
Interest expense on deficiency tax		**239,723**	-	-
Interest amortization on refundable deposits	15	**195,523**	735,999	717,325
Interest expense on interest-bearing loans	14	**-**	989,844	3,132,075
Miscellaneous		**244,620**	33,027	198,407
		P 2,691,280	P 41,876,289	P 28,113,872

20.2 Finance Income

This account consists of the following:

	Notes	2021	2020 [As restated – see Note 2.1(d)]	2019 [As restated – see Note 2.1(d)]
Increase in cash surrender value of investment in life insurance	6.4	**P 43,312,753**	P 28,215,891	P 43,487,753
Foreign currency exchange gains		**24,190,855**	2,324	49,997
Interest income from cash and cash equivalents and short-term placements	5	**13,434,940**	41,759,158	91,196,316
Interest income from real estate sale	6.1	**1,022,675**	1,235,922	1,560,316
Interest income from deposits on acquisition of land	13.3	**-**	-	6,477,329
Gain on discounting of refundable deposit	15, 16	**-**	-	225,755
		P 81,961,223	P 71,213,295	P 142,997,466

20.3 Other Gains

The breakdown of this account is as follows:

	Notes	2021	2020	2019
Net interest income on retirement benefit asset	21.2	**P 4,328,622**	P 4,523,465	P 7,448,481
Gain on derecognition of liabilities	15	**3,519,420**	-	2,913,521
Gain on sale of property and equipment	11	**1,410,329**	1,605,486	482,899
Gain on reversal of provision	9.1	**-**	125,000	-
Miscellaneous		**5,446,130**	1,147,565	2,189,354
		P 14,704,501	P 7,401,516	P 13,034,255

21. EMPLOYEE BENEFITS

21.1 Salaries and Employee Benefits Expense

Expenses recognized for salaries and employee benefits are summarized below (see Note 25.6).

	Notes	2021	2020	2019
Short-term benefits		**P 224,174,955**	P 234,627,095	P 261,885,183
Post-employment benefits	21.2	**6,559,334**	12,719,643	12,159,144
	18	**P 230,734,289**	P 247,346,738	P 274,044,327

These expenses are classified in the consolidated statements of income as follows:

	Notes	**2021**	2020	2019
General and administrative expenses		**P 156,327,926**	P 174,648,509	P 187,156,149
Cost of services	17.2	**51,851,788**	51,566,491	64,590,362
Selling and distribution costs		**21,496,300**	20,188,477	21,353,444
Cost of rentals	17.3	**1,058,275**	943,261	944,372
	18	**P 230,734,289**	P 247,346,738	P 274,044,327

21.2 Post-employment Benefits

(a) Characteristics of the Defined Benefit Plan

The Parent Company and certain subsidiaries maintain a funded, tax-qualified, non-contributory post-employment benefit plan that is being administered by a trustee bank that is legally separated from the Group. The trustee bank managed the fund in coordination with the Group's management who acts in the best interest of the plan assets and is responsible for setting the investment policies. The post-employment plan covers all regular full-time employees.

The normal retirement age is 60 with a minimum of five years of credited service. The Group's post-employment benefit plan provides retirement benefits ranging from 100% to 115% of the final monthly covered compensation (average monthly basic salary during the last 12 months of credited service) for every year of credited service.

(b) Explanation of Amounts Presented in the Consolidated Financial Statements

Actuarial valuations are made annually to update the retirement benefit costs and the amount of contributions. All amounts presented below and in the succeeding pages are based on the actuarial valuation report obtained from an independent actuary in 2021, 2020 and 2019.

The amounts of retirement benefit asset recognized in the consolidated statements of financial position are determined as follows:

	2021	2020
Fair value of plan assets	**P 210,714,273**	P 214,321,329
Present value of obligation	**(78,762,656)**	(75,939,796)
	P 131,951,617	P 138,381,533

On the other hand, the retirement benefit obligation recognized by certain subsidiaries, which does not have an established post-employment benefit plan, amounted to P19.8 million and P27.6 million as of December 31, 2021 and 2020, respectively.

The movements in the fair value of plan assets of the Group are presented below.

	2021	2020
Balance at beginning of year	**P 214,321,329**	P 203,053,778
Interest income	**8,380,573**	10,350,318
Return (loss) on plan assets (excluding amounts included in net interest)	**(7,346,629)**	3,964,497
Contributions	**-**	4,017,015
Benefits paid	**(4,641,000)**	(7,064,279)
Balance at end of year	**P 210,714,273**	P 214,321,329

The movements in the present value of the retirement benefit obligation recognized in the books are as follows:

	2021	2020
Balance at beginning of year	**P 103,535,494**	P 115,005,810
Current service costs	**13,232,696**	16,625,682
Past service	**(6,673,362)**	(3,906,039)
Benefits paid	**(4,641,000)**	(7,064,279)
Benefits paid from book reserve	**(1,902,497)**	(1,303,750)
Interest costs	**4,051,951**	5,826,853
Remeasurements –		
Actuarial gains arising from:		
Changes in financial assumptions	**(5,593,190)**	(9,322,204)
Experience adjustments	**(3,982,085)**	(11,929,903)
Changes in demographic assumptions	**(49,329)**	(396,676)
Transfer from (to) affiliates	**577,562**	-
Balance at end of year	**P 98,556,240**	P 103,535,494

The significant actuarial gains in 2021 and 2020 arising from the financial assumptions pertains to the effects of differences between the discount rates and salary projection rates used while the actuarial gains arising from experience adjustments pertains to the effects of differences between the previous actuarial assumptions and what has actually occurred, including the changes in those actuarial assumptions during the applicable reporting periods.

The plan assets consist of the following as of December 31 (see Note 25.7):

	2021	2020
Debt securities –		
Philippines government bonds	**P 209,295,708**	P 212,616,788
UITF	**1,624,482**	1,908,969
Others	**(205,917)**	(204,428)
	P 210,714,273	P 214,321,329

The fair values of the debt securities are determined based on quoted market prices in active markets (classified as Level 1 of the fair value hierarchy). UITF and mutual funds are classified both as Level 2 while other assets are classified as Level 3 in the fair value hierarchy.

The plan assets earned a net return of P1.0 million, P14.3 million and P19.5 million in 2021, 2020 and 2019, respectively.

Plan assets do not comprise any of the Group's own financial instruments or any of its assets occupied and/or used in its operations.

The components of amounts of post-employment benefit expense recognized in the consolidated statements of income and consolidated statements of comprehensive income in respect of the post-employment defined benefit plan are presented below.

	Notes	**2021**	2020	2019
Reported in consolidated statements of income:				
Current service cost	21.1	**P 13,232,696**	P 16,625,682	P 12,159,144
Past service	21.1	**(6,673,362)**	(3,906,039)	-
Net interest income	20.3	**(4,328,622)**	(4,523,465)	(7,448,481)
		P 2,230,712	P 8,196,178	P 4,710,663
Reported in consolidated statements of comprehensive income (loss):				
Actuarial gains (losses) from:				
Changes in financial assumptions		**P 5,593,190**	P 9,322,204	(P 17,164,114)
Changes in experience adjustments		**3,982,085**	11,929,903	3,386,403
Changes in demographic assumption		**49,329**	396,676	-
Return (loss) on plan assets (excluding amounts included in net interest)		**(7,346,629)**	3,964,497	5,769,150
	23.3	**P 2,277,975**	P 25,613,280	(P 8,008,561)

Current service cost and past service cost are presented as part of Salaries and employee benefit account under General and Administrative Expenses in the consolidated statements of income (see Note 18).

The net interest income is included in Other Gains – net 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:

	2021	2020	2019
Discount rates	**4.85% - 5.09%**	2.84% - 3.97%	4.67% - 5.21%
Salary increase rate	**5.00%**	5.00%	7.00%

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 10.0 to 27.0 years for males and 3.0 to 27.0 years for females. These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of a zero coupon government bond with terms to maturity approximating to the terms of the post-employment obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) Risks Associated with the Retirement Plan

The plan exposes the Group to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

(i) Investment and Interest Risks

The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government 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.

(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 in the succeeding pages.

(i) Sensitivity Analysis

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the defined benefit asset as of December 31, 2021 and 2020:

	Impact on Post-employment Benefit Asset/Obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
December 31, 2021			
Discount rate	**+/- 0.5%**	**(P 3,585,469)**	**P 3,209,637**
Salary increase rate	**+/- 1.0%**	**8,636,566**	**(5,148,699)**
December 31, 2020			
Discount rate	+/- 0.5%	(P 5,897,199)	P 6,683,408
Salary increase rate	+/- 1.0%	14,115,762	(9,675,786)

The sensitivity analysis above is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation recognized in the consolidated statements of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous years.

(ii) Asset-liability Matching Strategies

To efficiently manage the retirement plan, the Group through its Management Committee, ensures that the investment positions are managed in accordance with its asset-liability matching strategy to achieve those long-term investments are in line with the obligations under the retirement scheme. This strategy aims to match the plan assets to the retirement obligations by investing in long-term fixed interest securities (i.e., government or corporate bonds) with maturities that match the benefit payments as they fall due and in the appropriate currency. The Group actively monitors how the duration, and the expected yield of the investments are matching the expected cash outflows arising from the retirement obligations.

In view of this, investments are made in reasonably diversified 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 of December 31, 2021 and 2020 is generally concentrated in government debt securities, although the Group also invests in UITF.

(iii) Funding Arrangements and Expected Contributions

The plan is currently overfunded by P132.0 million based on the latest actuarial valuation. On the other hand, the Group is yet to determine how much and when to fund its retirement benefit obligation as of December 31, 2021.

The Group does not expect to make any contribution to the plan during the next reporting period.

The maturity profile of undiscounted expected benefit payments from the plan follows:

	2021	2020
Within one year	**P 23,846,322**	P 12,239,686
More than one year to 5 years	**13,661,723**	21,420,397
More than 5 years to 10 years	**40,738,530**	37,046,814
More than 10 years to 15 years	**71,881,939**	82,634,194
More than 15 years to 20 years	**107,095,392**	96,249,336
More than 20 years	**708,613,514**	931,037,450
	P 965,837,420	P1,180,627,877

The weighted average duration of the defined benefit obligation at the end of the reporting period is 18 years.

22. TAXES

22.1 Registration with Economic Zone Authorities

(a) Registration with Clark Development Corporation (CDC)

Kita is registered with the CDC under R.A. No. 7227, *The Bases Conversion and Development Act of 1992*, as amended under R.A. No. 9400, *An Act Amending RA 7227, as amended, Otherwise Known as the Bases Conversion and Development Act of 1992, and for Other Purposes*. As a registered business enterprise within the Clark Freeport Zone (CFZ), Kita is exempted from national and local taxes and is entitled to tax and duty free importation of raw materials, equipment, household and personal items. In lieu of these taxes, Kita is subject to a 5% preferential tax rate on its registered activities until April 12, 2019. However, the 30% regular corporate income tax (RCIT) rate is applied to income which comes from sources other than Kita's registered activities. Kita is subject to RCIT or minimum corporate income tax (MCIT), whichever is higher, for all of its transactions starting April 13, 2019.

(b) Registration with Philippine Economic Zone Authority (PEZA)

SMC is registered with the PEZA as an Ecozone Facilities Enterprise at the Laguna International Industrial Park – Special Economic Zone (LIIP – SEZ). As an Ecozone Facilities Enterprise, SMC shall lease its building in LIIP – SEZ to PEZA-registered export enterprises located therein. SMC is subject to 5% tax on gross income earned on such facilities in lieu of all national and local taxes. In 2021, 2020 and 2019, however, SMC did not have transactions with PEZA-registered entities.

On July 1, 1998, the PEZA approved Starworld's registration as an Ecozone developer and operator of the CPIP – Special Economic Zone located at Bo. Parian, Calamba City. Under the terms of the registration and subject to certain requirements, Starworld shall be exempt from all national and local taxes and instead will be subject to the 5% preferential tax rate on gross income after allowable deductions.

22.2 Current and Deferred Taxes

On March 26, 2021, R.A. No. 11534, *Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act*, as amended, was signed into law and became effective beginning July 1, 2020. The following are the major changes brought about by the CREATE Act that are relevant to and considered by the Group:

- RCIT rate was reduced from 30% to 25% starting July 1, 2020; however, for entities with total assets of equal to or less than P100.0 million and taxable income of equal to or less than P5.0 million, the applicable RCIT rate is 20%;
- MCIT rate was reduced from 2% to 1% starting July 1, 2020 until June 30, 2023; and,
- the allowable deduction for interest expense was reduced from 33% to 20% of the interest income subjected to final tax.

For PEZA-registered activities, the Group may still avail of the 5% Gross Income Tax (GIT) for 10 years. After expiration of the transitory period of 10 years, the Group has an option to reapply and avail of the incentives provided under the CREATE Act and may still be extended for a certain period not exceeding 10 years at any one time.

The components of tax expense reported in the consolidated statements of income and consolidated statements of comprehensive income are as follows:

	2021	2020	2019
Reported in consolidated statements of income:			
Current tax expense:			
RCIT at 25%/20% in 2021 and 30% in 2020 and 2019	**P 42,896,941**	P 43,054,063	P 68,765,479
Final tax at 20% and 15%	**6,600,074**	19,355,986	36,176,872
MCIT at 1% in 2021 and 2% in 2020 and 2019	**686,785**	1,813,811	1,524,840
Preferential tax at 5%	**-**	-	192,015
Effect of change in income tax rate	**(4,164,426)**	-	-
	46,019,374	64,223,860	106,659,206
Application of excess MCIT	**(458,706)**	-	(878,201)
Deferred tax expense arising from:			
Origination and reversal of temporary differences	**157,941,870**	75,809,935	180,434,356
Derecognition of DTA on allowance of impairment of receivables	**19,588,127**	-	-
Effect of change in income tax rate	**(145,236,661)**	-	-
	32,293,336	75,809,935	180,434,356
	P 77,854,004	P 140,033,795	P 286,215,361

	2021	2020	2019
Reported in consolidated statements of comprehensive income (loss):			
Deferred tax expense (income) on:			
Remeasurements of defined benefit post-employment plan	**(P 1,255,869)**	P 7,252,717	(P 2,051,534)
Effect on change in income tax rate	**456,078**	-	-
Deferred tax expense (income) on changes in fair value of financial assets at FVOCI	**(3,210,000)**	(150,000)	(300,000)
	(P 4,009,791)	P 7,102,717	(P 2,351,534)

The reconciliation of tax on gross and pretax profit computed at the applicable statutory rates to tax expense reported in the consolidated statements of income is as follows:

	2021	2020	2019
Tax on gross profit at 5% and pretax profit at 25%/20% in 2021 and 30% in 2020 and 2019	**P 247,189,689**	P 166,245,299	P 199,476,622
Effect of change in income tax rate	**(149,401,087)**	-	-
Adjustment for income subjected to lower tax rates	**(3,709,807)**	(10,049,430)	(19,509,171)
Tax effects of:			
Nontaxable income	**(61,599,650)**	(75,389,534)	(65,987,688)
Unrecognized deferred tax assets from net operating loss carry-over (NOLCO) and MCIT and other temporary differences	**48,688,669**	64,968,751	96,885,363
Application of NOLCO	**(5,618,593)**	-	-
Nondeductible expenses and losses	**1,916,453**	(1,577,110)	560,625
Excess of optional standard deduction over itemized deductions	**329,727**	(1,931,941)	(1,994,139)
Deferred tax on allowance	**58,603**	-	-
Prior period error	**-**	-	-
Reversal of previously recognized deferred tax assets	**-**	89,341	-
Other taxable income	**-**	1,255,660	-
Benefit from previously unrecognized NOLCO, MCIT and other temporary differences	**-**	(332,652)	10,704,721
Post-employment defined benefits	**-**	(259,139)	210,588
Impairment loss on receivables	**-**	(148,440)	707,361
Provision for inventory obsolescence	**-**	146,475	-
Transfer of post-employment defined benefit obligation	**-**	66,485	-
Excess of MCIT over RCIT	**-**	2,500	-
Application of unrecognized MCIT	**-**	-	(152,578)
Others	**-**	(3,052,470)	65,313,657
Tax expense	**P 77,854,004**	P 140,033,795	P 286,215,361

The net deferred tax assets of certain subsidiaries as of December 31 relate to the following:

		2021		2020
Deferred tax assets:				
Allowance for inventory obsolescence	P	**6,931,674**	P	20,153,254
Allowance for impairment on trade and other receivables		**2,699,694**		26,721,171
Unrealized foreign currency loss	(	**2,585,132)**		5,210,264
Fair value loss on investment property		**2,265,698**		4,441,947
Retirement benefit obligation		**1,105,856**		5,334,139
Accrued expenses		**935,625**		1,169,453
Provision for warranty claims		**573,577**		357,980
NOLCO		**415,951**		4,931,391
MCIT		**295,051**		612,422
PFRS 16 adoption		**262,507**		4,431,625
		12,900,501		73,363,646
Deferred tax liabilities:				
Accumulated depreciation on investment property	(	**810,287)**	(	1,025,594)
Equity investments in FVOCI		**-**	(	1,500,000)
	(	**810,287)**	(	2,525,594)
Deferred tax assets – net	**P**	**12,090,214**	P	70,838,052

The net deferred tax liabilities of the Parent Company and other subsidiaries as of December 31 relates to the following:

		2021		2020
Deferred tax assets:				
Accumulated amortization on right-of-use asset	**P**	**9,619,378**	P	7,980,275
Allowance for impairment on trade and other receivables		**8,371,696**		10,492,807
Unamortized past service costs		**3,586,563**		293,829
Unearned rent income		**3,096,343**		5,813,209
NOLCO		**1,456,862**		2,622,618
Allowance for inventory obsolescence		**968,353**		1,162,023
MCIT		**406,477**		266,516
Impairment losses on property and equipment		**204,239**		4,303,875
Deferred rent income		**112,184**		453,146
Loss on investment in subsidiaries		**-**		838,709
Unrealized foreign currency loss		**-**		165
Balance forwarded	**P**	**27,822,095**	P	34,227,172

	2021	2020
Balance carried forward	**P 27,822,095**	P 34,227,172
Deferred tax liabilities:		
Fair value gains on investment property – net	**(881,586,963)**	(905,398,891)
Retirement benefit asset	**(30,264,597)**	(38,408,855)
Accumulated depreciation on investment property	**(17,802,791)**	(16,711,045)
Excess of FV over cost of property	**(12,211,529)**	(14,653,835)
Amortization of lease liabilities	**(10,454,819)**	(7,408,169)
Unrealized foreign currency gains	**(3,123,389)**	(5,155,064)
Accrued rent income	**(2,926,212)**	(5,793,811)
Changes in fair value of financial assets at FVOCI	**-**	(1,710,000)
	(958,370,300)	(995,239,670)
Deferred tax liabilities – net	**(P 930,548,205)**	(P 961,012,498)

The components of net deferred tax expense reported in the consolidated statements of income are as follows:

	2021	2020	2019
Allowance for impairment on trade and other receivables	**P 26,142,587**	(P 5,084,406)	(P 2,565,851)
Accumulated depreciation on investment property	**(22,765,113)**	9,704,604	9,228,783
Allowance for inventory obsolescence	**13,415,250**	271,454	2,595,149
Unearned rent income	**6,382,910**	91,459	(188,267)
Unrealized foreign currency gains (losses) – net	**5,763,611**	(4,773,324)	(4,161,074)
NOLCO	**5,693,393**	(6,580,882)	65,418,719
Amortization of lease liabilities	**3,046,650**	3,893,765	-
Retirement benefit asset	**(2,923,419)**	(1,790,639)	(1,161,299)
Fair value over deemed cost	**(2,442,306)**	-	-
Available for sale securities	**(1,710,000)**	-	-
Accumulated depreciation on right-of-use assets	**(1,639,103)**	(3,835,805)	-
PFRS 16 adoption	**1,239,171**	(1,596,837)	(3,464,854)
Fair value gains on investment property – net	**1,255,188**	79,378,245	82,838,337
Impairment loss on property And equipment	**717,313**	-	-
Impairment loss on investment in subsidiaries	**(559,140)**	-	-
Accrued expenses	**344,324**	5,491,220	23,042,053
Deferred rent income	**340,962**	(202,128)	(30,519)
Provision for warranty claims	**(227,794)**	163,132	265,902
Excess of MCIT over RCIT	**177,410**	(878,938)	8,609,114
Unamortized past service costs	**89,590**	59,829	95,527
Accrued income	**(48,148)**	1,499,186	(87,364)
	P 32,293,336	P 75,809,935	P 180,434,356

The deferred tax expense in 2021 and 2020 amounting to P4.0 million and P7.1 million, respectively, and the deferred tax income in 2019 amounting to P2.4 million in the consolidated statements of comprehensive income pertains to the tax effect of the changes in fair value of financial assets at FVOCI and remeasurements of post-employment defined benefit plan (see Note 23.3).

The details of the Group's NOLCO are as follows:

Year Incurred	Amount	Applied Amount	Expired Amount	Remaining Balance	Valid Until
2021	P 138,523,393	P -	P -	P 138,523,393	2026
2020	166,054,076	(8,533,204)	-	157,520,872	2025
2019	287,916,072	(1,164,001)	-	286,752,071	2022
2018	226,621,411	(5,597,571)	(221,023,840)	-	
	P 819,114,952	**(P 15,294,776)**	**(P 221,023,840)**	**P 582,795,336**	

NOLCO incurred in 2021 and 2020 amounting to P138.5 million and P166.1 million, respectively, can be claimed as a deduction from the gross income for five consecutive taxable years or until 2026 and 2025, respectively, in accordance with R.A. No. 11494, *Bayanihan to Recover as One Act*. NOLCO incurred in 2019 can be claimed as a deduction from the gross income for three consecutive years or until 2022.

The Group is subject to MCIT which is computed at 1% in 2021 and 2% in 2020 and 2019 of gross income, as defined under the tax regulations or RCIT, whichever is higher. The details of the Group's MCIT are as follows:

Year Incurred	Amount	Applied Amount	Expired Amount	Remaining Balance	Valid Until
2021	P 686,785	P -	P -	P 686,785	2026
2020	1,360,982	(458,706)	(902,276)	-	2025
2019	1,524,840	-	-	1,524,840	2022
2018	4,147,314	(182,339)	(3,964,975)	-	
	P 7,719,921	**(P 641,045)**	**(P 4,867,251)**	**P 2,211,625**	

The Group did not recognize the deferred tax assets on NOLCO, MCIT and other deductible temporary differences of certain subsidiaries as management has assessed that those subsidiaries may not be able to realize their related tax benefits within the prescribed availment period. The NOLCO, MCIT and other deductible temporary differences as of December 31 for which the related deferred tax assets have not been recognized by certain entities in the Group are shown below.

	2021		2020		2019	
	Amount	**Tax Effect**	Amount	Tax Effect	Amount	Tax Effect
NOLCO	**P 92,035,445**	**P 23,048,188**	P 668,708,399	P 200,612,518	P 330,732,081	P 99,219,624
Allowance for impairment of trade receivables	**19,297,292**	**4,824,323**	16,160,480	4,848,144	16,916,436	5,074,931
FVOCI	**12,000,000**	**3,000,000**	829,222,559	248,766,768	829,222,559	248,766,768
Unrealized foreign currency gains – net	**(4,318,005)**	**(1,079,501)**	22,218,627	6,665,588	8,034,540	2,410,362
Allowance for inventory obsolescence	**1,648,408**	**412,102**	1,039,657	311,897	165,422	49,627
Reserve for commission	**1,281,128**	**320,282**	1,067,607	320,282	-	-
Retirement benefit obligation	**1,028,908**	**257,227**	3,671,863	1,101,559	1,606,127	481,838
Unamortized past service cost	**2,152,479**	**538,120**	2,421,539	726,462	-	-
Allowance for impairment of intangible assets	**272,127**	**68,032**	272,127	81,638	-	-
MCIT	**134,138**	**134,138**	6,428,916	6,428,916	1,777,805	1,777,805
Allowance for impairment of land and land development cost	**-**	**-**	644,800	193,440	-	-
	P 125,531,920	**P 31,522,911**	P 1,551,856,574	P 470,057,212	P 1,188,454,970	P 357,780,955

In 2021, 2020 and 2019, the Group claimed itemized deductions in computing its income tax due, except for SBC and ZTC, which opted to claim OSD in those years.

23. EQUITY

23.1 Capital Stock

The Parent Company has a total authorized capital stock of P5.0 billion divided into 5,000,000,000 shares with P1 par value.

On June 18, 1996, the Commission issued an Order approving the Registration Statement covering the securities which comprised the Parent Company's entire authorized capital stock. On September 4, 1996, the Parent Company's shares were listed in the PSE and the trading of offer shares commenced.

The Parent Company offered to the public 665,000,000 shares at an offer price of P5.85 per share. The offer shares consist of 524,475,000 primary shares (new shares) and 140,525,000 secondary shares (existing shares).

As of December 31, 2021 and 2020, the Parent Company has issued shares of 2,030,975,000 (with P1 par value), of which, 462,782,704 and 386,912,704 shares are held by the public in 2021 and 2020, respectively. There are 4,231 and 4,230 holders of the listed shares which closed at P1.08 and P1.11 per share on December 31, 2021 and 2020, respectively.

23.2 Retained Earnings

The BOD approved the declaration of cash dividends in 2019 as follows:

Date of Declaration	Stockholders of Record as of	No. of Shares Outstanding	Amount per Share	Total
August 8, 2019	August 31, 2019	1,821,542,000	P 0.06	P 109,292,520

The dividends were paid within the year of declaration and approval. There was no dividend declaration to parent's stockholders in 2021 and 2020. Retained earnings is restricted in the amount of P115.6 million as of December 31, 2021 and 2020, equivalent to the cost of 209,433,000 shares held in treasury.

In 2021, Starworld's BOD declared cash dividend to NCI amounting to P40.1 and was paid in full in the same year. There was no dividend declaration to NCI in 2020 and 2019.

23.3 Revaluation Reserves

The components of this account and its movements are as follows:

	Notes	2021	2020	2019
Remeasurement of post-employment benefit:				
Balance at beginning of year		**P 63,372,760**	P 45,012,197	P 50,969,224
Actuarial gains (losses) during the year	21.2	**2,277,975**	25,613,280	(8,008,561)
Tax income (expense)	22.2	**799,791**	(7,252,717)	2,051,534
Balance at end of year		**66,450,526**	63,372,760	45,012,197
Cumulative translation adjustments:				
Balance at beginning of year		**(58,983,217)**	(34,848,736)	(17,825,788)
Currency exchange differences on translating financial statements of foreign operations		**29,777,985**	(24,134,481)	(17,022,948)
Balance at end of year		**(29,205,232)**	(58,983,217)	(34,848,736)
Unrealized fair value losses financial on financial assets at FVOCI/ AFS financial assets:				
Balance at beginning of year		**6,496,719**	8,346,719	9,046,719
Fair value gains (losses) – net	7.1	**3,300,000**	(2,000,000)	(1,000,000)
Tax income	22.2	**3,210,000**	150,000	300,000
Balance at end of year		**13,006,719**	6,496,719	8,346,719
Other comprehensive income attributable to non-controlling interest		**35,000**	35,000	35,000
		P 50,287,013	P 10,921,262	P 18,545,180

23.4 Subsidiary with Material Non-controlling Interest

Noncontrolling interests (NCI) pertain to the 25.0%, 27.0%, 50.0% and 50.0% equity ownership of minority stockholders in Skyworld, Interstar, Starworld and LIIP, respectively. The selected financial information (before inter-company eliminations) of Starworld and LIIP, which are considered the material NCI are shown below.

	Starworld		LIIP	
	2021	2020	**2021**	2020
Current assets	**P 819,789,643**	P 815,488,350	**P 90,191**	P 130,520
Non-current assets	**779,067**	1,286,244	**-**	-
Total assets	**P 820,568,710**	P 816,774,594	**P 90,191**	P 130,520
Current liabilities	**P 169,615,385**	P 69,671,352	**P 8,039,271**	P 8,029,528
Non-current liabilities	**1,368,661**	340,102	**-**	-
Total liabilities	**P 170,984,046**	P 70,011,454	**P 8,039,271**	P 8,029,528
Equity (capital deficiency) attributable to owners of the parent	**P 324,792,332**	P 373,381,570	**(P 3,974,540)**	(P 3,949,504)
NCI	**P 324,792,332**	P 373,381,570	**(P 3,974,540)**	(P 3,949,504)
Revenue	**P 6,253,164**	P 20,253,711	**P -**	P -
Profit (loss) for the year attributable to owners of the parent	**P 1,466,785**	P 3,184,589	**(P 25,036)**	(P 271,271)
Profit (loss) for the year attributable to NCI	**1,466,785**	3,184,589	**(25,036)**	(271,271)
Profit (loss) for the year	**2,933,570**	6,369,178	**(50,072)**	(542,542)
Other comprehensive income (loss) for the year (all attributable to owners of the parent)	**(112,045)**	619,454	**-**	-
Total comprehensive income (loss) for the year attributable to owners of the parent	**1,354,740**	3,804,043	**(25,036)**	(271,271)
Total comprehensive income (loss) for the year attributable to NCI	**1,466,785**	3,184,589	**(25,036)**	(271,271)
Total comprehensive income (loss) for the year	**P 2,821,525**	P 6,988,632	**(P 50,072)**	(P 542,542)
Net cash used in operating activities	**(P 3,262,472)**	(P 5,263,988)	**(P 18,992)**	(P 123,281)
Net cash used in investing activities	**(47,589,787)**	(678,495,423)	**-**	-
Net cash from financing activities	**-**	-	**12,242**	51,520
	(50,852,259)	(683,759,411)	**(6,750)**	(71,761)
Effect of exchange rate on cash and cash equivalent	**4,267,267**	(4,688,184)	**-**	-
Net cash outflow	**(P 46,584,992)**	(P 688,447,595)	**(P 6,750)**	(P 71,761)

The corporate information of Starworld and LIIP, as well as the Parent Company's stockholding thereto, is provided in Note 1.2.

In 2021, cash dividend amounting to P40.1 million was declared to NCI and was paid in full in the same year. There was no dividend declaration in 2020.

Management determined that the difference between the respective equity ownership of minority stockholders over the equity of the aforementioned subsidiaries and the amount of NCI recognized in the consolidated statements of financial position is not material to the consolidated financial statements.

24. EARNINGS PER SHARE

Basic and diluted earnings for profit attributable to the Parent Company's stockholders are computed as follows:

	2021	2020	2019
Net profit for the year attributable to the Parent Company's stockholders	**P 666,154,358**	P 220,149,500	P 216,338,757
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 per share – basic and diluted	**P 0.37**	P 0.12	P 0.12

There were no outstanding convertible preferred shares and bonds or other stock equivalents as of December 31, 2021, 2020 and 2019; hence, diluted earnings per share is equal to the basic earnings per share.

25. RELATED PARTY TRANSACTIONS

The Group's related parties include other companies owned by the Parent Company's majority stockholders and the Group's key management personnel as described below and in the succeeding pages. The summary of the Group's significant transactions in 2021, 2020 and 2019 with its related parties and the outstanding balances as of December 31, 2021 and 2020 are presented below and in the succeeding page.

Related Party Category	Notes	Amounts of Transaction 2021	2020	2019	Outstanding Receivable (Payable) 2021	2020
Related Parties Under Common Ownership:						
Purchase of mobile phones	25.1	**P 101,445,462**	P 155,375,026	P 395,991,231	**(P 112,362,253)**	(P 56,803,352)
Lease of real property	25.2	**7,428,555**	5,603,819	14,036,114	**60,014**	161,676
Advances to suppliers	25.1	**4,029,423**	195,702,637	112,171,986	**66,665,995**	70,695,418
Granting (collection) of business loans	25.3	**4,000,000**	(1,500,000)	-	**5,500,000**	9,500,000
Rendering of services	25.9	**3,505,631**	3,350,449	3,748,808	**203,778**	659,536
Commissions	25.5	**2,962,042**	60,020,094	61,189,656	**139,505,911**	129,631,358
Sale of goods	25.8	**1,675,060**	3,331,175	5,637,083	**29,834**	1,129,704
Purchase of spare parts	25.1	**995,878**	2,406,636	12,495,522	**(1,706,609)**	(872,575)
Interest income	25.3	**600,000**	880,000	880,000	**-**	-
Purchase of supplies and services	25.1	**505,342**	610,210	6,316,021	**234,884**	(34,483)
Refundable deposits	25.2	**106,305**	193,250	-	**(824,305)**	(717,500)
Cash advances granted (paid)	25.4	**-**	(5,661,017)	(397,788)	**2,386,851**	3,386,851
Cash advances obtained	25.4	**-**	-	-	**(1,881,570)**	(1,881,570)

Related Party Category	Note	Amounts of Transaction 2021	2020	2019	Outstanding Receivable (Payable) 2021	2020
Others:						
Key management personnel compensation	25.6	**47,682,666**	46,204,296	45,389,816	**-**	-

None of the companies under the Group is a joint venture. The Parent Company is not subject to joint control. Related parties that exercise significant influence over the Parent Company are AA Commercial, Inc. and AV Value Holdings Corporation.

Unless otherwise stated, the Group's outstanding receivables from and payables to related parties arising from advances, sale and purchase of goods, management services and other services, are unsecured, noninterest-bearing and generally settled in cash within 12 months from the end of the reporting period.

Based on the management assessment, certain receivables were found to be impaired using the provision matrix; hence, adequate amount of allowance for impairment have been recognized as of December 31, 2021 and 2020. There were no impairment losses recognized in 2019 (see Note 25.4).

25.1 Purchase of Goods, Supplies and Services

In 2021, 2020 and 2019, My Solid purchased mobile phones, tablets and accessories at prevailing market prices from Solid Trading Limited (STL), a related party under common ownership which is based in Hong Kong, amounting to P102.4 million, P157.8 million and P408.5 million, respectively, and recorded as part of Net purchases under Cost of Sales in the consolidated statements of income (see Note 17.1). The outstanding liabilities from these purchases amounting to P114.1 million and P57.7 million as of December 31, 2021 and 2020 are shown as part of Trade payables under the Trade and Other Payables in the consolidated statements of financial position (see Note 15).

Further, My Solid also made advanced payments to STL, which remained outstanding as of December 31, 2021 and 2020, and are presented as part of Advances to suppliers under the Trade and Other Receivables account in the consolidated statements of financial position (see Note 6.2). In 2019, the management with the approval of the BOD, wrote off certain advances amounting to P1.5 million, and is presented as part of Loss on unrecoverable advances under General and Administrative Expenses in the consolidated statements of income (see Note 18). There was no similar transaction in 2021 and 2020.

In 2021 and 2020, SEC and SVC purchased electronic devices from Avid Sales Corporation (Avid), a related party under common ownership, totaling to P0.5 million and P0.6 million, respectively. In 2019, SVC and the Parent Company purchased similar devices from Avid amounting to P6.0 million and P0.3 million, respectively. The related purchases were recorded as part of Net purchases under Cost of Sales in the consolidated statements of income (see Note 17.1). The outstanding liabilities for these purchases as of December 31, 2021 and 2020, are shown as part of Trade payables under the Trade and Other Payables in the consolidated statements of financial position (see Note 15).

25.2 Lease of Real Property

SMC and OSSI leases out certain land and buildings and office space, respectively, to Avid, a related party under common ownership. Also, ZTC leases out its office space to TCL Sun Inc. Revenues arising from these transactions are presented as part of Rentals under the Revenues of the consolidated statements of income.

The outstanding balances arising from rentals and services charges are presented as part of Rental receivables under the Trade and Other Receivables account in the consolidated statements of financial position (see Note 6.5).

Further, SMC and ZTC bill service charges to its related parties for common usage and service area and consumption of utilities. Charges arising from these transactions are presented as Common usage service area under Other Operating Income (Expense) in the consolidated statements of income (see Note 19).

Deposits received from the related parties are refundable at the end of the lease term of the agreements. These are presented as part of Refundable deposits under Trade and Other Payables account in the consolidated statements of financial position (see Note 15).

25.3 Granting of Loans

In prior years, SMFI granted unsecured business loan to Avid, a related party under common ownership, with the original principal loan amounting to P80.0 million. This business loan bears an annual interest rate of 8.0% in 2021, 2020 and 2019. The loan matured on January 18, 2020, but was renewed on the same date, repayable until January 18, 2025, its new maturity date. Principal repayment related to this loan amounted to P4.0 million and P1.5 million in 2021 and 2020, respectively. There was no repayment made in 2019.

Total interest earned from these loans amounted P0.6 million in 2021, and P0.9 million in 2021 and 2020, and is shown as part of Interest under Revenues section of the consolidated statements of income. The outstanding balance of business loans granted as of December 31, 2021 and 2020 is shown as part of Loans receivables under Trade and Other Receivables account in the consolidated statements of financial position (see Note 6.3).

Based on management's evaluation, there were no impairment losses recognized on the outstanding loans receivables granted to related parties in 2021, 2020 and 2019.

25.4 Advances to and from Related Parties

In the normal course of business, certain subsidiaries of the Group grants and obtains unsecured, noninterest-bearing cash advances to and from related parties under common ownership for working capital requirements and other purposes.

The reconciliation of the carrying amounts of advances to related parties account with movements during the reporting periods is shown below.

	2021	2020
Balance at beginning of year	**P 3,386,851**	P 9,047,868
Impairment losses for the year	**(1,000,000)**	(5,661,017)
Balance at end of year	**P 2,386,851**	P 3,386,851

SEC has an outstanding receivable from CPD Access Corporation, a related party under common ownership, for returns arising from purchases made in prior years and is presented as part of Advances to Related Parties in the consolidated statements of financial position. In 2021 and 2020, the Group recognized impairment loss from the advances amounting to P1.0 million and P5.7 million, respectively, which is presented as Impairment losses on advances to related parties under General and Administrative Expenses in consolidated statements of income (see Note 18).

On the other hand, no significant movement on the Group's advances from related parties in 2021 and 2020. Outstanding balance amounted to P1.9 million as of December 31, 2021 and 2020.

Outstanding balances with related parties are unsecured, noninterest-bearing, have no fixed repayment and settlement terms, except as disclosed in Note 28.3, and are presented as Advances to and from Related Parties account in the consolidated statements of financial position.

25.5 Transactions with STL

SVC earns commission from sales of STL 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, 2021 and 2020 is shown as part of Trade receivables under the Trade and Other Receivables account in the consolidated statements of financial position (see Note 6.1).

My Solid also earned commission income from STL at 10.7% of sales recognized by STL from its sale of My Solid's products. Commission income is presented as part of Rendering of Services in the consolidated statements of income. The outstanding receivables from these transactions, which are generally unsecured, noninterest-bearing and settled through cash are presented as part of Trade receivables under the Trade and Other Receivables account in the consolidated statements of financial position (see Note 6.1).

25.6 Key Management Personnel Compensation

The compensation of key management personnel is broken down as follows:

	2021	2020	2019
Short-term benefits	**P 47,188,046**	P 45,115,990	P 43,843,908
Post-employment benefit	**494,620**	1,088,306	1,545,908
	P 47,682,666	P 46,204,296	P 45,389,816

These amounts are shown as part of Salaries and employee benefits under General and Administrative Expenses in the consolidated statements of income (see Note 21.1).

25.7 Transactions with the Retirement Fund

The Group has established a formal multi-employer retirement plan which is administered by a trustee bank, except for CBHI, GSHMI, My Solid, SGTC and ZTC, whose retirement fund remained unfunded as of December 31, 2021 and 2020.

The retirement fund consists of government securities and UITF with fair values totaling P210.7 million and P214.3 million as of December 31, 2021 and 2020, respectively. The retirement fund neither provides any guarantee or surety for any obligation of the Group. The retirement fund also has no investments in the Parent Company's shares of stock which are listed for trading at the PSE.

The details of the contributions of the Group and benefits paid out by the plan to employees are presented in Note 21.2.

25.8 Sale of Goods

My Solid and SVC sells mobile phones, tablets and accessories, tapes and equipment to Avid. Revenues from said transactions are presented as part of Sale of Goods under Revenues in the consolidated statements of income. The outstanding receivables from these transactions which are generally unsecured, noninterest-bearing and settled through cash within 30 to 45 days are presented as part of Trade receivables under the Trade and Other Receivables account in the consolidated statements of financial position (see Note 6.1).

25.9 Rendering of Services

OSSI provides assembly, repair, warehousing and distribution services to Avid. Revenues from the said transactions amounting to P3.5 million, P3.4 million and P3.7 million in 2021, 2020 and 2019, respectively, are presented as part of Rendering of Services under Revenues section of the consolidated statements of income. The outstanding receivables arising from these transactions, which are generally unsecured, noninterest-bearing and settled through cash amounted to P0.2 million and P0.7 million as of December 31, 2021 and 2020, respectively, and is presented as part of Trade receivables under the Trade and Other Receivables account in the consolidated statements of financial position (see Note 6.1).

25.10 Advances to Officers

In the ordinary course of business, the Group provided unsecured noninterest-bearing advances to its officers subject to liquidation. The outstanding receivable arising from these transactions are presented as part of Advances to officers and employees under Trade and Other Receivables account in the consolidated statements of financial position (see Note 6.2).

26. SIGNIFICANT CONTRACTS AND AGREEMENTS

26.1 Memorandum of Understanding with SPI

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

In-warranty services shall be rendered free of charge to customers. The actual cost of replacement parts related to in-warranty services shall be shouldered by Sony. Network support fees are billed at a fixed rate per month. The agreement is effective unless revoked by any of the parties.

Network support fees and in-warranty service fees relating to Sony products amounted to P95.3 million, P71.3 million and P94.1 million in 2021, 2020 and 2019, respectively, and are presented as part of Rendering of Services in the consolidated statements of income. Outstanding balances arising from these transactions amounted to P8.3 million and P5.5 million as of December 31, 2021 and 2020, respectively, and are included as part of Trade receivables under the Trade and Other Receivables account in the consolidated statements of financial position (see Note 6.1).

26.2 Distributorship Agreement with Sony Corporation of Hong Kong Limited (Sony HK)

SVC has a non-exclusive Distributorship Agreement (the Agreement) with Sony HK, a corporation organized and existing under and by virtue of the laws of Hong Kong. Under the Agreement, SVC was designated by Sony HK as its non-exclusive distributor of Sony products in the Philippines. In addition, SVC shall provide the customers in the Philippines with repair and parts replacement services, including but not limited to repair and parts replacement services rendered by SVC which are covered under the 12 month-warranty period at its own costs and expenses. Management believes that the Agreement continues to be effective although no formal renewal has been made since 2007.

26.3 Management Agreement with Sky Cable Corporation

SBC and Sky Cable Corporation (SCC) agreed that the management and administration of the sale, assignment and transfer of its assets, equipment, contracts, permits, licenses and subscriber base (the "Assets") of SBC be entrusted to SCC. SCC, as the manager of the Assets, was given the overall power and responsibilities to handle all aspects necessary to carry out the administration and operations of the Assets and SBC, to accord the necessary additional authorizations, should the need arise.

Revenues arising from these transactions amounted to P3.0 million and P2.68 million in both 2021 and 2020, and 2019, respectively, and is presented as part of Rendering of Services under Revenues in the consolidated statements of income. The outstanding receivable amounted to P0.6 million and P0.3 million as of December 31, 2021 and 2020, respectively, and is included as part of Trade receivables under Trade and Other Receivables account in the consolidated statements of financial position (see Note 6.1). The related expense is presented as part of Service fees under Cost of Services section of the consolidated statements of income (see Note 17.2).

27. COMMITMENTS AND CONTINGENCIES

The following are the significant commitments and contingencies involving the Group:

27.1 Operating Lease Commitments – Group as Lessor

Certain subsidiaries are a lessor under various non-cancellable operating lease agreements covering certain real estate properties. These leases have terms ranging from 1 to 10 years, with renewal options, and include annual escalation rates ranging from 5% to 10%. These subsidiaries receive fixed monthly payments.

Although the risks associated with rights that the Group retains in underlying assets are not considered to be significant, the Group employs strategies to further minimize these risks. Such as, ensuring all contracts include clauses requiring the lessee to compensate the Group when a property has been subjected to excess wear-and-tear during the lease term.

The future minimum lease receivables under these non-cancellable operating leases as of December 31 are presented below.

		2021		2020
Within one year	**P**	**168,729,117**	P	119,201,322
After one year but not more than two years		**80,887,470**		43,020,893
After two year but not more than three years		**71,824,818**		27,586,949
After three year but not more than four years		**16,303,437**		23,927,007
After four year but not more than five years		**9,832,680**		22,201,743
More than five years		**44,908,164**		68,919,140
	P	**392,485,686**	P	304,857,054

The total rent income recognized from these transactions amounted to P240.8 million, P242.7 million and P250.9 million, including rent income resulting from the application of the straight-line basis of revenue recognition in accordance with PFRS 16 in 2021, 2020 and 2019, respectively, and are presented as Rentals under Revenues section of the consolidated statements of income. There was no contingent rent (i.e., variable rent considerations) related to these operating leases.

27.2 Operating Lease Commitments – Group as Lessee

The Group has non-cancellable operating lease agreements with various lessors covering several parcels of land, warehouses and offices. These leases have terms of 25 years expiring in 2019. Lease payments are fixed for the first five years. Thereafter, the lease on land is subject to 100% escalation rate every five years while the lease on land improvements is subject to an annual escalation rate of 10%.

Consequently, upon the adoption of PFRS 16 in 2019, the Group's lease transactions were reassessed and related disclosures are presented and summarized in Note 10.

27.3 Purchase Commitments

In 2007, ZTC has entered into several construction contracts with various subcontractors for the construction of Tri-Towers condominium building. The construction of Tower 1 and Tower 2 were completed in 2008 and 2012, respectively, while the construction of Tower 3 has not yet started, yet it has incurred expenses for the planning phase as of December 31, 2021 and 2020 (see Note 9.2).

As of December 31, 2021 and 2020, the Group has commitments of about P90.0 million and P76.5 million, respectively, for construction of building and building improvements (see Notes 11 and 12).

27.4 Possible Impact of Government Project

In 2005, ZTC received a notification from the Urban Roads Projects Office (URPO) of the Department of Public Works and Highways (DPWH) that the location of the Tri Towers condominium building project might be affected by the plans of the National Government of the Philippines for the construction of the proposed 2nd Ayala Bridge (see Note 9.2). However, the URPO stated that it has not yet undertaken the detailed engineering design that will ascertain if the location of the ZTC's property will be affected by the road's right-of-way.

The Group decided to continue the Tri Towers condominium building project despite the notification received from the DPWH because management believes that the likelihood of a possible expropriation of the land is remote given the current status of the government project. There were no updates on this transaction as of December 31, 2021 and 2020.

27.5 Deficiency Tax Assessments

In prior years, My Solid, SBC and SVC received deficiency tax assessments from the Bureau of Internal Revenue (BIR) indicating various deficiency taxes of those companies and MyTel Mobility Solutions, Inc. (MyTel). MyTel was absorbed by My Solid during its merger on 2012 resulting to the transfer of MyTel's assets and liabilities to My Solid by operations of law. These assessments are currently under protest with the BIR and/or these companies have filed for reinvestigation and/or review with the Court of Tax Appeals.

The management believes that My Solid, SBC and SVC have enough evidence to support their claims and that the outcome of such tax assessments will not have a material impact in the Group's consolidated financial statements; hence, no provision was recognized as of December 31, 2021 and 2020.

27.6 Purchase Agreement with Asia Travel Philippines, Inc. (ATPI)

In 2018, the amount of unearned portion amounting to P0.2 million with ATPI as of December 31, 2017 was offset against the remaining receivables from the ATPI when CBHI received a notice of liquidation and insolvency in February 2019 after numerous attempts to collect the amount due. The unearned portion with ATPI is presented as part of Other Payables under Trade and Other Payables account in the consolidated statements of financial position (see Note 15).

27.7 Others

The Group has unused credit facilities amounting to P1.1 billion both in 2021 and 2020.

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, 2021 and 2020, management is of the opinion that losses, if any, that may arise from these commitments and contingencies will not have a material effect on the Group's consolidated financial statements.

28. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks in relation to financial instruments. The Group's financial assets and liabilities by category are summarized in Note 29. The main types of risks are market risk, credit risk and liquidity risk.

The Group's risk management is coordinated with its BOD and focuses on actively securing the Group's short to medium-term cash flows by minimizing the exposure to financial markets. Long-term financial investments are managed to generate continuous returns.

The Group does not engage in the trading of financial assets for speculative purposes, nor does it write options. The most significant financial risks to which the Group is exposed to are described in the succeeding pages.

28.1 Market Risk

The Group is exposed to market risk through its use of financial instruments and specifically to foreign currency risk, interest rate risk and certain other price risk which result from its operating, investing and financing activities.

(a) Foreign Currency Risk

Most of the Group's transactions are carried out in Philippine pesos, its functional currency. Exposures to currency exchange rates arise from the Group's foreign currency denominated trade and other receivables, interest-bearing loans and trade and other payables, which are primarily denominated in USD. The Group also holds USD-denominated cash and cash equivalents.

To mitigate the Group's exposure to foreign currency risk, non-Philippine peso cash flows are monitored.

Foreign currency-denominated financial assets and financial liabilities, translated into Philippine pesos at the closing rate are as follows:

	2021	2020
Financial assets	**P 192,856,742**	P 225,532,985
Financial liabilities	**(115,319,567)**	(62,938,617)
Short-term exposure	**P 77,537,175**	P 162,594,368

The following table illustrates the sensitivity of the Group's profit before tax in 2021, 2020 and 2019 with respect to changes in the exchange rates of Philippine peso against foreign currencies. The percentage changes in rates have been determined based on the average market volatility in exchange rates, using standard deviation, in the previous 12 months prior to the end of the reporting period at a 99% confidence level.

	2021		2020		2019	
	Reasonably Possible Change in Rate	**Effect in Profit Before Tax**	Reasonably Possible Change in Rate	Effect in Profit Before Tax	Reasonably Possible Change in Rate	Effect in Profit Before Tax
PHP – USD	**23.06%**	**P 17,880,073**	23.79%	P 38,681,200	12.37%	P 13,754,686

If the Philippine peso had strengthened against the USD, with all other variables held constant, the Group's profit before tax would have been lower by P17.9 million, P38.7 million and P13.8 million in 2021, 2020 and 2019, respectively. Conversely, if the Philippine peso had weakened against the USD by the same percentage, with all variables held constant, profit before tax and equity would have been higher in 2021, 2020 and 2019 by the same amount.

Exposures to foreign exchange rates vary during the period depending on the volume of foreign currency denominated transactions. Nonetheless, the analysis above is considered to be a reasonable estimation of the Group's currency risk.

(b) Interest Rate Risk

As of December 31, 2021 and 2020, the Group is exposed to changes in market interest rates through its cash and cash equivalents and short-term placements, 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 before tax for the year to a reasonably possible change in interest rates of +/-1.78% in 2021, +/-1.49% in 2020 and +/-3.11% in 2019. 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 1.78%, 1.49% and 3.11%, profit before tax in 2021, 2020 and 2019, would have increased by P92.8 million, P260.2 million and P244.1 million, respectively. Conversely, if the interest rate decreased by the same percentages, profit before tax in 2021, 2020 and 2019 would have been lower by the same amounts.

(c) Other Price Risk

The Group's market price risk arises from its investments carried at fair value (i.e., financial assets measured at FVOCI). The Group manages exposures to price risk by monitoring the changes in the market price of the investments and at some extent, diversifying the investment portfolio in accordance with the limit set by management.

28.2 Credit Risk

Credit risk is the risk that the counterparties may fail to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments arising from granting loans and selling goods and services to customers including related parties, placing deposits with banks.

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. Where available at a reasonable cost, external credit ratings and/or reports and other counterparties are obtained and used. The Group's policy is to deal only with creditworthy counterparties. In addition, for a significant proportion of real estate sales, advance payments are received to mitigate credit risk.

The maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown in the consolidated statements of financial position and in the detailed analysis provided in the notes to the consolidated financial statements, as summarized below.

	Notes	**2021**	2020
Cash and cash equivalents	5.1	**P 2,749,788,562**	P 918,335,159
Short-term placements	5.2	**1,702,458,454**	3,326,476,937
Trade and other receivables – net*	6	**1,051,111,525**	978,064,049
Investment in bonds	7.2	**20,000,000**	-
Refundable deposits**	13	**14,142,873**	14,200,395
Advances to related parties	25.4	**2,386,851**	3,386,851
Deposit to suppliers**	13	**3,347,774**	3,347,774
Cash bond**	13	**680,834**	680,834
		P 5,543,916,873	P 5,244,491,999

** Except for Advances to supplier and Advances to officers and employees*
*** Presented as part of Other Assets*

The Group's management considers that all the above financial assets that are not impaired or past due at the end of each reporting period are of good credit quality.

None of the Company's financial assets are secured by collateral or other credit enhancements, except for cash and cash equivalents as described below.

(a) Cash and Cash Equivalents and Short-term Placements

The credit risk for cash and cash equivalents and short-term placements in the consolidated statements of financial position, is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. Included in the cash and cash equivalents are cash in banks and cash equivalent with maturities of less than three months, and short-term placements which are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P0.5 million for every depositor per banking institution.

(b) Trade and Other Receivables

The Group applies the simplified approach in measuring ECL which uses a lifetime expected loss allowance for all trade receivables and other receivables.

With respect to other receivables from third parties, management assessed that these financial assets have low probability of default since the Group can apply the related payables to these counterparties in case it defaults.

For loans receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Based on historical information about borrower default rates, management considers the credit quality of loans receivables that are not past due or impaired in assessing the credit risk.

To measure the ECL, trade and other receivables have been grouped based on shared credit risk characteristics and the days past due (age buckets). The Group also concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the other receivables as it shares the same credit risk characteristics.

The calculation of ECL incorporates forward-looking information. The Group has performed historical analysis and identified the key economic value factor affecting credit risk and ECL for the loan portfolio.

On that basis, the loss allowance as of December 31, 2021 and 2020 was determined based on months past due, for trade and other receivables (except advances to suppliers and officers and employees, interest receivables and cash surrender value of investment in life insurance) are as follows:

	Not more than 60 days	More than 60 days but not more than 90 days	More than 90 days but not more than 120 days	More than 120 days	Total
December 31, 2021					
Expected loss rate	**0.25%**	**10.41%**	**32.45%**	**89.97%**	
Gross carrying amount	**P 200,975,667**	**P 25,480,821**	**P 16,300,700**	**P 99,927,861**	**P 342,685,049**
Loss allowance	**469,776**	**2,651,541**	**4,158,434**	**100,360,466**	**107,640,217**
December 31, 2020					
Expected loss rate	1.06%	4.70%	34.33%	87.79%	
Gross carrying amount	P 213,694,460	P 12,584,398	P 14,293,344	P 121,163,402	P 361,735,604
Loss allowance	2,260,555	591,112	4,907,349	106,370,128	114,129,144

The reconciliation of allowance for impairment on trade and other receivables at the beginning and end of 2021 and 2020 is presented in Note 6.7.

(c) Advances to Related Parties

For intercompany receivables that are repayable on demand, the ECL is based on the assumption that repayment of the receivables is demanded at the reporting date. The management determines the probability of collection upon demand. If a related party is unable to make repayment, the management considers the manner of recovery (i.e., sustained operations, availability of liquid and illiquid asset, etc.) to measure the ECL.

In 2021 and 2020, the Group recognized impairment losses on advances to related parties amounting to P1.0 million and 5.7 million, respectively, which are presented as Impairment loss on advances to related parties under General and Administrative Expenses in 2021 and 2020 consolidated statements of income (see Note 18). There was no impairment loss recognized in 2019.

(d) Refundable and Other Deposits

With respect to refundable and other deposits, management assessed that these financial assets have low probability of default since these relate to reputable power and water distribution companies (i.e., with high quality external credit rating). Moreover, the Group has operating lease contracts as lessee with the counterparty lessors, wherein the Group can apply such deposits to future lease payments in case of defaults.

(e) Investment in Bonds

Investment in bonds measured at amortized cost are considered to have low credit risk, and therefore, the loss allowance during the period is determined to be equivalent to 12 months ECL. Management considers "low credit risk" for listed bonds to be an investment grade credit rating with at least one major rating agency. Other instruments are considered to be low credit risk when they have a low risk of default, and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

No impairment loss on debt securities classified as financial assets at amortized cost has been recognized in 2021 since the bonds are in good credit standing as of December 31, 2021.

(f) Cash bond

With respect to cash bond, management assessed that this financial asset has low probability of default since this relates to refundable deposits made with Bureau of Customs for taxes and duties relative to importations.

28.3 Liquidity Risk

Liquidity risk is the risk that cash may not be available to meet operating requirements and to pay obligations when due at a reasonable cost. Prudent liquidity risk management requires maintaining sufficient cash and credit facilities at reasonable cost to satisfy current requirements whenever the need arises. The Group aims to maintain flexibility in funding by keeping committed credit lines available.

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 6-month and one-year period are identified monthly.

The Group maintains cash to meet its liquidity requirements for up to 60-day periods. Excess cash is invested in short-term placements. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

As of December 31, 2021 and 2020, the Group's financial liabilities [except for lease liabilities (see Note 10.2)] have contractual maturities, which are presented below.

	Current		Non-current
	Within 6 Months	6 to 12 Months	1 to 5 Years
2021			
Trade and other payables	P 394,653,448	P -	P -
Advances from related parties	1,881,570	-	-
Refundable deposits	-	-	26,244,550
	P 396,535,018	**P -**	**P 26,244,550**
2020			
Trade and other payables	P 333,114,648	P -	P -
Advances from related parties	1,881,570	-	-
Refundable deposits	-	-	28,889,217
	P 334,996,218	P -	P 28,889,217

The contractual maturities reflect the gross cash flows, which may differ with the carrying values of the financial liabilities at the end of reporting period.

29. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

29.1 Carrying Amounts and Fair Values by Category

The carrying amounts and fair values of the categories of financial assets and financial liabilities presented in the consolidated statements of financial position are shown below and in the succeeding page.

	Notes	2021 Carrying Amounts	2021 Fair Values	2020 Carrying Amounts	2020 Fair Values
Financial assets					
At amortized cost:					
Cash and cash equivalents	5	**P2,749,788,562**	**P 2,749,788,562**	P 918,335,159	P 918,335,159
Short-term placements	5	**1,702,458,454**	**1,702,458,454**	3,326,476,937	3,326,476,937
Trade and other receivables – net	6	**1,051,111,525**	**1,051,111,525**	978,064,049	978,064,049
Investment in bonds	7.2	**20,000,000**	**19,535,060**	-	-
Refundable deposits	13	**14,142,873**	**14,142,873**	14,200,395	14,200,395
Advances to related parties	25.4	**2,386,851**	**2,386,851**	3,386,851	3,386,851
Deposit to suppliers	13	**3,347,774**	**3,347,774**	3,347,774	3,347,774
Cash bond	13	**680,834**	**680,834**	680,834	680,834
		5,543,916,873	**5,543,451,933**	5,244,491,999	5, 244,491,999
Financial assets at FVOCI –	7.1	**27,400,000**	**27,400,000**	24,100,000	24,100,000
		P 5,571,316,873	**P 5,570,851,933**	P 5,268,591,999	P 5,268,591,999

	Notes	2021 Carrying Amounts	2021 Fair Values	2020 Carrying Amounts	2020 Fair Values
Financial liabilities					
At amortized cost:					
Trade and other payables	15	**P 394,653,448**	**P 394,653,448**	P 333,114,648	P 333,114,648
Refundable deposits	16	**26,244,550**	**26,244,550**	28,889,217	28,889,217
Lease liabilities	10.2	**6,590,349**	**6,590,349**	10,521,366	10,521,366
Advances from related parties	25.4	**1,881,570**	**1,881,570**	1,881,570	1,881,570
		P 429,369,917	**P 429,369,917**	P 374,406,801	P 374,406,801

See Note 2.5 for a description of the accounting policies for financial assets and financial liabilities, respectively, including the determination of fair values. A description of the Group's risk management objectives and policies for financial instruments is provided in Note 28.

29.2 Offsetting of Financial Instruments

The Group has not set off financial instruments as of December 31, 2021 and 2020 and it does not have relevant offsetting arrangements. Currently, financial assets and financial liabilities are settled on a gross basis; however, each party to the financial instrument (particularly related parties) may have the option to settle all such amounts on a net basis in the event of default of the other party through approval by the respective BODs and stockholders of both parties.

The following financial assets presented as part of Advances to Related Parties account can be offset by the amount of outstanding Advances from Related Parties account in the consolidated statements of financial position:

	Note	Gross amounts recognized in the consolidated statements of financial position	Related amounts not set off in the consolidated statements of financial position	Net amount
Advances to related parties:	25.4			
December 31, 2021		**P 2,386,851**	**P -**	**P 2,386,851**
December 31, 2020		3,386,851	-	3,386,851
Advances from and due to related parties:	25.4			
December 31, 2021		**P 1,881,570**	**P -**	**P 1,881,570**
December 31, 2020		1,881,570	-	1,881,570

For financial assets and financial liabilities subject to enforceable master netting agreements or similar arrangements above, certain agreements between the Group and counterparties allows for net settlement of the relevant financial assets and financial liabilities when both parties elect to settle on a net basis. In the absence of such an election, financial assets and financial liabilities will be settled on a gross basis, however, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party.

30. FAIR VALUE MEASUREMENTS AND DISCLOSURES

30.1 Fair Value Hierarchy

In accordance with PFRS 13, Fair Value Measurement, the fair value of financial assets and financial liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value. The fair value hierarchy has the following levels as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the financial asset or financial liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,

- Level 3: inputs for the financial asset or financial liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or financial liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

For investments which do not have quoted market price, the fair value is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market of another instrument which is substantially the same after taking into account the related credit risk of counterparties or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Group uses valuation technique, it maximizes the use of observable market data where it is available and relies as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

30.2 Financial Instruments Measured at Fair Value

The Group's financial assets at FVOCI include proprietary golf club shares, which are categorized within Level 2 as their prices are not derived from market considered due to lack of trading activities among market participants at the end or close to the end of the reporting period. As of December 31, 2021 and 2020, the Group's financial assets at FVOCI measured at fair value amounted to P27.4 million and P24.1 million, respectively (see Note 7.1).

For unquoted equity securities classified as financial assets at FVOCI, the financial assets are measured at cost; hence, these assets are not included within the fair value hierarchy.

The Group has no financial liabilities measured at fair value as of December 31, 2021 and 2020. Also, there were neither transfers between Levels 1 and 3 nor changes in the carrying amount of Level 2 instruments in both years.

30.3 *Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed*

The tables below summarize the fair value hierarchy of the Group's financial assets and financial liabilities which are not measured at fair value in the consolidated statements of financial position but for which fair value is disclosed.

	Notes	Level 1	Level 3	Total
2021				
Financial Assets				
At amortized cost:				
Cash and cash equivalents	5	P 2,749,788,562	P -	P 2,749,788,562
Short-term placements	5	1,702,458,454	-	1,702,458,454
Trade and other receivables – net	6	-	1,051,111,525	1,051,111,525
Investment in bonds	7.2	19,535,060	-	19,535,060
Refundable deposits	13	-	14,142,873	14,142,873
Advances to related parties	25.4	-	2,386,851	2,386,851
Deposit to suppliers	13	-	3,347,774	3,347,774
Cash bond	13	-	680,834	680,834
		P 4,471,782,076	**P 1,071,669,857**	**P 5,543,451,933**
Financial Liabilities				
At amortized cost:				
Trade and other payables	15	P -	P 394,653,448	P 394,653,448
Refundable deposits	16	-	26,244,550	26,244,550
Lease liabilities	10.2	-	6,590,349	6,590,349
Advances from related parties	25.4	-	1,881,570	1,881,570
		P -	**P 429,369,917**	**P 429,369,917**
2020				
Financial Assets				
At amortized cost:				
Cash and cash equivalents	5	P 918,335,159	P -	P 918,335,159
Short-term placements	5	3,326,476,937	-	3,326,476,937
Trade and other receivables – net	6	-	982,833,368	982,833,368
Refundable deposits	13	-	19,208,263	19,208,263
Advances to related parties	25.4	-	3,386,851	3,386,851
Deposit to suppliers	13	-	3,347,774	3,347,774
Cash bond	13	-	680,834	680,834
		P 4,244,812,096	P 1,049,457,090	P 5,254,269,186
Financial Liabilities				
At amortized cost:				
Trade and other payables	15	P -	P 333,114,648	P 333,114,648
Refundable deposits	16	-	28,889,217	28,889,217
Lease liabilities	10.2	-	10,521,366	10,521,366
Advances from related parties	25.4	-	1,881,570	1,881,570
		P -	P 374,406,801	P 374,406,801

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 fair value of the Group's land and improvements and building and improvements classified under Investment Properties (see Note 12) are determined on the basis of the appraisals performed by Royal Asia Appraisal Corporation, an independent appraiser with appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. To some extent, the valuation process was conducted by the appraisers in discussion with the Group's management with respect to the determination of the inputs such as the size, age, and condition of the land and buildings, and the comparable prices in the corresponding property location. In estimating the fair value of these properties, management takes into account the market participant's ability to generate economic benefits by using the assets in their highest and best use. Based on management assessment, the best use of the Group's non-financial assets indicated above is their current use.

The fair value of these non-financial assets was determined based on the following approaches (see Note 12):

(a) Fair Value Measurement for Land and Improvements

The Level 3 fair value of land and improvements amounted to P3,707.7 million and P3,170.9 million as of December 31, 2021 and 2020, respectively, and was derived through appraisals by independent valuation specialists using market-based valuation approach where prices of comparable properties are adequate for specific market factors such as location and condition of the property.

(b) Fair Value Measurement for Building and Building Improvements

The Level 3 fair value of the buildings and improvements under Investment Property account amounted to P818.9 million and P797.2 million as of December 31, 2021 and 2020, respectively, and was derived through appraisals by independent valuation specialists using market-based valuation approach where prices of comparable properties are adequate for specific market factors such as location and condition of the property.

(c) Fair Value Measurement for Construction in Progress

The Level 3 fair value of the construction in progress under Investment Property account amounted to P112.2 million and P67.0 million as of December 31, 2021 and 2020, respectively. These fair values were determined using the cost approach that reflects the cost to a market participant to construct an asset of comparable usage, construction standards, design and layout, adjusted for obsolescence. The more significant inputs used in the valuation include direct and indirect costs of construction such as but not limited to, labor and contractor's profit, materials and equipment, surveying and permit costs, electricity and utility costs, architectural and engineering fees, insurance and legal fees. These inputs were derived from various suppliers and contractor's quotes, price catalogues, and construction price indices. Under this approach, higher estimated costs used in the valuation will result in higher fair value of the properties.

There has been no change to the valuation techniques used by the Group during the year for its non-financial assets. Also, there were no transfers into or out of Level 3 fair value hierarchy in 2021 and 2020.

31. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group sets the amount of capital in proportion to its overall financing structure, i.e., equity and total liabilities, excluding amounts advances from related parties. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the carrying amount of equity as presented on the face of the consolidated statements of financial position. The Group's goal in capital management is to maintain a debt-to-equity structure ratio of not higher than 1:1 on a monthly basis.

The computation of the Group's debt-to-equity ratio is presented below.

	2021	2020
Total liabilities (excluding advances from related parties)	**P 1,450,097,560**	P 1,445,551,945
Total equity	**11,533,191,326**	10,856,311,642
	0.13 : 1.00	0.13 : 1.00

As of December 31, 2021 and 2020, the Group is not subject to any externally-imposed capital requirements, except for SMFI. Under Section 6 of R.A. 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 of December 31, 2021 and 2020.

Report of Independent Auditors to Accompany Supplementary Information Required by the Securities and Exchange Commission Filed Separately from the Basic Financial Statements

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

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Solid Group, Inc. and Subsidiaries (the Group) for the year ended December 31, 2021, on which we have rendered our report dated March 31, 2022. Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The applicable supplementary information (see List of Supplementary Information) is presented for purposes of additional analysis in compliance with the requirements of Revised Securities Regulation Code Rule 68, and is not a required part of the basic consolidated financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information is the responsibility of the Group's management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

PUNONGBAYAN & ARAULLO

By: Nelson J. Dinio
Partner

CPA Reg. No. 0097048
TIN 201-771-632
PTR No. 8852332, January 3, 2022, Makati City
SEC Group A Accreditation
Partner - No. 97048-SEC (until Dec. 31, 2023)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-032-2019 (until Sept. 4, 2022)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

March 31, 2022

SOLID GROUP INC. AND SUBSIDIARIES
List of Supplementary Information
December 31, 2021

Solid Group Inc. and Subsidiaries
Schedule A - Financial Assets
December 31, 2021

Name of Issuing Entity and Assocation of each Issue	Number of Shares of Principal Amount of Bonds and Notes	Amount Shown in the Statement of Financial Position		Value based on Market Quotation at End of Reporting Period		Income Received and Accrued	
Financial Assets at Fair Value Through Other Comprehensive Income – Non-Current							
The Country Club	3	P	12,000,000	P	10,300,000	P	-
Sta. Elena Golf Club	1		6,000,000		6,000,000		-
Alabang Country Club	2		6,600,000		6,600,000		-
Tagaytay Midlands Golf Club	4		2,800,000		2,800,000		-
		P	**27,400,000**	**P**	**25,700,000**	**P**	-

Solid Group Inc. and Subsidiaries
Schedule B - Amounts Receivable from Directors, Officers, Employees and Principal Stockholders (Other than Related Parties)
December 31, 2021

			Deductions		*Ending Balance*		
Name and Designation of debtor	*Balance at beginning of period*	*Additions*	*Amounts collected*	*Amounts assigned or set - off*	*Current*	*Non-current*	*Balance at end of period*

NOT APPLICABLE

Solid Group Inc. and Subsidiaries
Schedule C - Amounts Receivable/Payable from/to Related Parties which are Eliminated During the Consolidation of Financial Statements
December 31, 2021

			Deductions		*Ending Balance*			
Name and Designation of Debtor	***Balance at Beginning of Period***	***Additions***	***Amounts Collected***	***Conversion***	***Amounts Written-off***	***Current***	***Non-current***	***Balance at End of Period***
Trade Receivables:								
My Solid Devices & Technologies Corporation	P 1,549,532	P -	P 170,899	P -	P -	P 1,378,633	P -	P 1,378,633
Kita Corporation	13,600,000	-	-	-	-	13,600,000	-	13,600,000
Green Sun Hotel Management Inc.	420,712	2,138,847	-	-	-	2,559,559	-	2,559,559
Omni Solid Services Inc.	-	45,952,957	-	-	-	45,952,957	-	45,952,957
SolidService Electronics Corporation	11,514	255,263	-	-	-	266,777	-	266,777
Solid Manila Corporation	30,177,900	20,005,358	172,349	-	-	50,010,909	-	50,010,909
Solid Video Corporation	-	41,986	-	-	-	41,986	-	41,986
Zen Towers Corporation	20,000,000	-	20,000,000	-	-	-	-	-
	P 65,759,658	**P 68,394,411**	**P 20,343,248**	**P -**	**P -**	**P 113,810,821**	**P -**	**P 113,810,821**
Advances to and From								
My Solid Devices & Technologies Corporation	P 600,000,000	P -	P 200,000,000	P 400,000,000	P -	-	P -	-
Kita Corporation	422,242,159	-	410,242,159	-	-	12,000,000	-	12,000,000
Casa Bacobo Hotel, Inc.	925,701	-	925,701	-	-	-	-	-
Zen Towers Corporation	324,000,000	-	274,000,000	50,000,000	-	-	-	-
Solid Manila Corporation	134,543,188	-	134,543,188	-	-	-	-	-
Brilliant Reach Limited	275,882,937	170,933	-	276,053,870	-	-	-	-
Solid Video Corporation	40,000,000	-	40,000,000	-	-	-	-	-
SolidGroup Technologies Corporation	7,374,022	-	7,374,022	-	-	-	-	-
	P 1,804,968,007	**P 170,933**	**P 1,067,085,070**	**P 726,053,870**	**P -**	**P 12,000,000**	**P -**	**P 12,000,000**

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, 2021

			Deductions		Ending Balance		
Name and Designation of Creditor	*Balance at Beginning of Period*	*Additions*	*Amounts Collected*	*Amounts Written-off*	*Current*	*Non-current*	*Balance at End of Period*
Trade payables:							
My Solid Devices & Technologies Corporation	P 179,514	-	**P** 161,149	P -	P 18,365	P -	P 18,365
Omni Solid Services Inc.	1,451,802	-	342,222	-	1,109,580	-	1,109,580
SolidService Electronics Corporation	107,630	-	107,630	-	-	-	-
SolidGroup Technologies Corporation	226,712	85,934	-	-	312,646	-	312,646
Solid Manila Corporation	-	3,770,230	-	-	3,770,230	-	3,770,230
Solid Group Inc.	63,794,000	45,000,000	194,000	-	108,600,000	**-**	108,600,000
	P 65,759,658	**P 48,856,164**	**P 805,001**	**P -**	**P 113,810,821**	**P -**	**P 113,810,821**

Solid Group Inc. and Subsidiaries
Schedule D - Intangible Assets - Other Assets
December 31, 2021

			Deduction			
Description	*Beginning Balance*	*Additions at Cost*	*Charged to Cost and Expenses*	*Charged to Other Accounts*	*Other Changes Additions (Deductions)*	*Ending Balance*
Intangible assets						
Cost:						
Licenses and softwares	P 31,305,702	-	P -	P -	P	P 31,305,702
Non-proprietary club shares	2,222,127	-	-	-	-	2,222,127
	P 33,527,829	-	P -	P -	P -	P 33,527,829
Accumulated Amortization and Impairment Losses:						
Licenses and softwares	(P 18,319,514)	P -	(P 32,416)	P -	P -	(P 18,351,930)
Non-proprietary club shares	(2,122,127)	-	-	-	-	(2,122,127)
	(P 20,441,641)	P -	(P 32,416)	P -	P -	(P 20,474,057)
Net Book Value:	**P 13,086,188**	**-**	**(P 32,416)**	**P -**	**P -**	**P 13,053,772**

Solid Group Inc. and Subsidiaries
Schedule E - Long-Term Debt
December 31, 2021

Title of issue and type of obligation	*Amount shown under caption "Current portion of long-term debt" in related balance sheet*	*Amount shown under caption "Long-Term Debt" in related balance sheet*

NOT APPLICABLE

Solid Group Inc. and Subsidiaries
Schedule F - Indebtedness to Related Parties
December 31, 2021

Name and designation of debtor	*Balance at beginning of period*	*Balance at end of period*

NOT APPLICABLE

Solid Group Inc. and Subsidiaries
Schedule G - Guarantees of Securities of Other Issuers
December 31, 2021

Name of issuing entity of securities guaranteed by the company for which this statement is filed	*Title of issue of each class of securities guaranteed*	*Total amount guaranteed an outstanding*	*Amount owned by person for which statement is filed*	*Nature of guarantee*

NOT APPLICABLE

Solid Group Inc. and Subsidiaries
Schedule H - Capital Stock
December 31, 2021

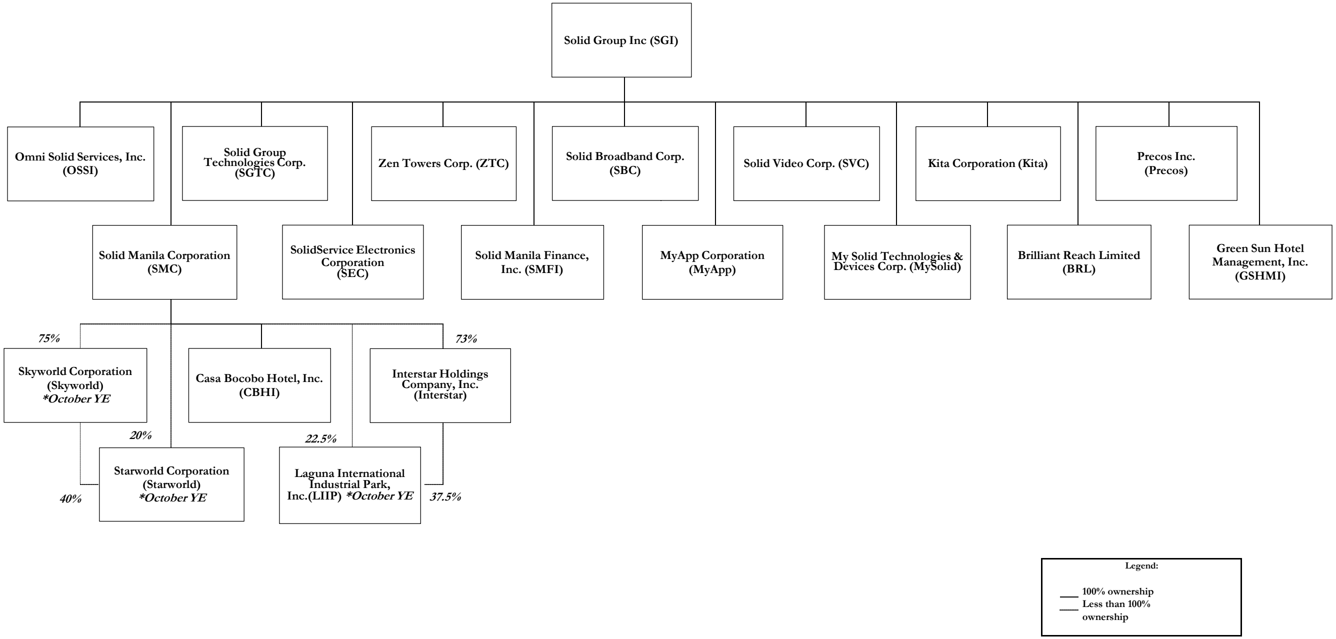
Title of Issue	*Number of shares authorized*	*Number of shares issued and outstanding as shown under the related balance sheet caption (A)*	*Number of shares reserved for options, warrants, conversion and other rights*	*Number of shares held by*		
				Related parties (B)	*Directors, officers and employees*	*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	275,381,480	462,782,704

A: Number of shares issued and outstanding = 2,030,975,000 issued shares less 209,433,000 treasury shares
B: This represents shares held by AA Commercial and AV Value Holdings Corp., related parties which are ultimately owned by the Lim Family.

SOLID GROUP INC.
2285 Don Chino Roces Avenue, Makati City
Reconciliation of Retained Earnings Available for Dividend Declaration
For the Year Ended December 31, 2021

Unappropriated Retained Earnings at Beginning of Year	P	1,121,477,222
Retained Earnings Restricted for Treasury Shares		(115,614,380)
Unappropriated Retained Earnings Available for Dividend Declaration at Beginning of Year, as Adjusted		1,005,862,842
Net Profit Realized during the Year		
Net profit per audited financial statements		135,210,351
Unappropriated Retained Earnings Available for Dividend Declaration at End of Year	**P**	**1,141,073,193**

Solid Group Inc. and Subsidiaries
Map Showing the Relationships Between and Among the Company and its Related Parties



Report of Independent Auditors on Components of Financial Soundness Indicators

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

T +63 2 8988 2288

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

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Solid Group, Inc. and Subsidiaries (the Group) for the years ended December 31, 2021 and 2020, on which we have rendered our report dated March 31, 2022. Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purposes of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2021 and 2020 and for the years then ended and no material exceptions were noted.

PUNONGBAYAN & ARAULLO

By: Nelson J. Dinio
Partner

CPA Reg. No. 0097048
TIN 201-771-632
PTR No. 8852332, January 3, 2022, Makati City
SEC Group A Accreditation
Partner - No. 97048-SEC (until Dec. 31, 2023)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-032-2019 (until Sept. 4, 2022)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

March 31, 2022

SOLID GROUP INC. AND SUBSIDIARIES
Supplemental Schedule of Financial Soundness Indicators
December 31, 2021 and 2020

Ratio	Formula	2021	Formula	2020
Current ratio	Total Current Assets divided by Total Current Liabilities Total Current Assets P 5,581,405,320 Divide by: Total Current Liabilities 472,513,931 Current ratio 11.81	11.81	Total Current Assets divided by Total Current Liabilities Total Current Assets P 5,550,298,366 Divide by: Total Current Liabilities 423,565,631 Current ratio 13.10	13.10
Acid test ratio	Quick Assets (Cash and cash equivalents + Short-term placements + Trade and other receivables - net) divided by Total Current Liabilities Cash and cash equivalent P 2,749,788,562 Short-term placements 1,702,458,454 Trade and other receivables - 327,047,374 Quick Assets 4,779,294,390 Divide by: Total Current Liabilities 472,513,931 Acid test ratio 10.11	10.11	Quick Assets (Cash and cash equivalents + Short-term placements + Trade and other receivables - net) divided by Total Current Liabilities Cash and cash equivalent P 918,335,159 Short-term placements 3,326,476,937 Trade and other receivables - 315,156,350 Quick Assets 4,559,968,446 Divide by: Total Current Liabilities 423,565,631 Acid test ratio 10.77	10.77
Solvency ratio	Total Liabilities divided by Total Assets Total Liabilities P 1,451,979,130 Divide by: Total Assets 12,985,170,456 Solvency ratio 0.11	0.11	Total Liabilities divided by Total Assets Total Liabilities P 1,447,433,515 Divide by: Total Assets 12,303,745,157 Solvency ratio 0.12	0.12
Debt-to-equity ratio	Total Liabilities (excluding Advances from related parties) divided by Total Equity Total Liabilities (excluding Advances from related parties) P 1,450,097,560 Divide by: Total Equity 11,533,191,326 Debt-to-equity ratio 0.13	0.13	Total Liabilities (excluding Advances from related parties) divided by Total Equity Total Liabilities (excluding Advances from related parties) P 1,445,551,945 Divide by: Total Equity 10,856,311,642 Debt-to-equity ratio 0.13	0.13
Gearing ratio	Financial Debt devided by Total Equity Financial Debt - Divided by: Total Equity 11,533,191,326 Gearing ratio -	0.00	Financial Debt devided by Total Equity Financial Debt - Divided by: Total Equity 10,856,311,642 Gearing ratio -	0.00
Assets-to-equity ratio	Total Assets divided by Total Equity Total Assets P 12,985,170,456 Divide by: Total Equity 11,533,191,326 Assets-to-equity ratio 1.13	1.13	Total Assets divided by Total Equity Total Assets P 12,303,745,157 Divide by: Total Equity 10,856,311,642 Assets-to-equity ratio 1.13	1.13
Interest rate coverage ratio	Earnings before interest and taxes (EBIT) divided by Interest expense EBIT P 762,132,920 Divide by: Interest expense 6,689,511 Interest rate coverage ratio 113.93	113.93	Earnings before interest and taxes (EBIT) divided by Interest expense EBIT P 364,903,090 Divide by: Interest expense 1,813,572 Interest rate coverage ratio 201.21	201.21

SOLIDGROUP INC. AND SUBSIDIARIES
Supplemental Schedule of Financial Soundness Indicators
December 31, 2021 and 2020

Operating margin	Operating Profit divided by Total Revenue Operating Profit P 661,468,965 Divide by: Total Revenue 1,539,952,521 Operating margin 0.43	0.43	Operating Profit divided by Total Revenue Operating Profit P 326,350,996 Divide by: Total Revenue 1,152,032,338 Operating margin 0.28	0.28
Net profit margin	Net Profit divided by Total Revenue Net Profit P 677,589,405 Divide by: Total Revenue 1,539,952,521 Net profit margin 0.44	0.44	Net Profit divided by Total Revenue Net Profit P 223,055,723 Divide by: Total Revenue 1,152,032,338 Net profit margin 0.19	0.19
Return on assets	Net Profit divided by Total Assets Net Profit P 677,589,405 Divide by: Total Assets 12,985,170,456 Return on assets 0.05	0.05	Net Profit divided by Total Assets Net Profit P 223,055,723 Divide by: Total Assets 12,303,745,157 Return on assets 0.02	0.02
Return on equity	Net Profit divided by Total Equity Net Profit P 677,589,405 Divide by: Total Equity 11,533,191,326 Return on equity 0.06	0.06	Net Profit divided by Total Equity Net Profit P 223,055,723 Divide by: Total Equity 10,856,311,642 Return on equity 0.02	0.02

INDEX TO EXHIBITS

Form 17-A

No.		Page No.
(3)	Plan of Acquisition, Reorganization, Arrangement, Liquidation or Succession	*
(5)	Instruments Defining the Rights of Security Holders, including Indentures	*
(8)	Voting Trust Agreement	*
(9)	Material Contracts	
(10)	Annual Report to Security Holders, Form 17-Q or Quarterly Report to Security Holders	*
(13)	Letter re Change in Certifying Accountant	*
(16)	Report Furnished to Security Holders	*
(18)	Subsidiaries of the Registrant	
(19)	Published Report Regarding Matters Submitted to Vote of Security Holders	*
(20)	Consent of Experts and Independent Counsel	*
(21)	Power of Attorney	*
(29)	Additional Exhibits	*

* These Exhibits are either not applicable to the Company or require no answer.

EXHIBIT 9 MATERIAL CONTRACTS

There are no material contracts that are not made in the ordinary course of business entered into by the Company and its subsidiaries during the year.

EXHIBIT 18 SUBSIDIARIES OF THE REGISTRANT

Solid Group Inc. has fourteen consolidated subsidiaries, each of which is wholly owned, as follows:

Name	Jurisdiction
Solid Video Corporation	Makati City, Philippines
Kita Corporation	Clark, Pampanga, Philippines
Omni Solid Services Inc. (formerly Solid Laguna Corporation)	Binan, Laguna, Philippines
SolidService Electronics Corporation (formerly Solid Electronics Corporation)	Quezon City, Philippines
Solid Manila Corporation	Manila, Philippines
Solid Manila Finance Inc.	Makati, Philippines
Solid Broadband Corporation	Makati, Philippines
Brilliant Reach Limited	British Virgin Islands
Zen Tower Corporation	Manila, Philippines
Precos, Inc.	Makati, Philippines
SolidGroup Technologies Corporation	Makati, Philippines
MySolid Technologies & Devices Corporation	Makati, Philippines
MyApp Corporation	Makati, Philippines
Green Sun Hotel Management Inc.	Makati, Philippines

Annex A: Reporting Template

(For additional guidance on how to answer the Topics, organizations may refer to Annex B: Topic Guide)

Contextual Information

Company Details	
Name of Organization	**Solid Group Inc.**
Location of Headquarters	2285 Don Chino Roces Avenue, Makati City
Location of Operations	Philippines
Report Boundary: Legal entities (e.g. subsidiaries) included in this report*	Solid Group Inc. (parent company) and subsidiaries
Business Model, including Primary Activities, Brands, Products, and Services	Solid Group Inc. (SGI) is a publicly listed holding company composed of various subsidiaries and joint venture companies operating under the following segments: ➤ Real estate (property development and leasing, condominium sales, hotel operations) ➤ Distribution (mobile devices under the MyPhone brand, modular housing and professional equipment) ➤ Support services (electronics servicing, logistics, financing) ➤ Investments
Reporting Period	December 31, 2021
Highest Ranking Person responsible for this report	Mellina T. Corpuz SVP and Chief Accounting Officer/SEC Compliance Officer

**If you are a holding company, you could have an option whether to report on the holding company only or include the subsidiaries. However, please consider the principle of materiality when defining your report boundary.*

Materiality Process

Explain how you applied the materiality principle (or the materiality process) in identifying your material topics.[1]
The Company considered the economic, environmental and social aspects with significant repercussions and contributions to its operations and activities towards sustainable development to ensure there will always be enough resources for the future generations to be successful. It identified issues that were of primary importance and critical to meeting the needs of all stakeholders. In concurrence with GRI Standards, the content of this report applies to the principle of materiality conducted through assessment based on the gathered information from the parent company and its subsidiaries focusing on its resources in a direction that is strategic to our businesses; promotes growth; manages impacts and minimizes risks; and, contributes to a sustainable development across the group. We determined our material sustainability issues based on SASB Materiality Map and its impact in our operations.

[1] See *GRI 102-46* (2016) for more guidance.

- Significant economic, environmental and social impacts of the company:
  - Economic: Economic performance
  - Human Capital: Labor Practices, Employee Health & Safety and Employee Engagement Diversity & Inclusion
  - Environment: Energy management, Air quality, Waste & Wastewater Management
  - Social Capital: Labor Practices, Data Security and Product Quality & Safety
  - Business Model & Innovation: Supply Chain Management
  - Leadership & Governance: Business Ethics

- Information that substantively influence the assessments and decisions of stakeholders and investors, stressing issues on areas to manage and monitor that are crucial but not currently addressed; and, areas of interest most important to stakeholders as mission of the Company to be transparent in all its dealings

- Issues on non-financial risks that will substantively affect the company's ability to create value over the short, medium and long-term plans along with business results delivery, ecosystem leverage (service and technology based) to spark innovation growth and organizational sustainability.

While our aim is to comprehensively report all information, we have limitations in the gathering of data but we hope to expand the scope and coverage in our succeeding reports that the company's sustainability materiality process can be significantly improved to better align with the new normal business processes and reporting with more transparency amidst the pandemic that greatly affected our business.

Note: The term "Company" as used in this report refers collectively to SGI and its subsidiaries.

ECONOMIC

Economic Performance

Direct Economic Value Generated and Distributed

Disclosure	Amount	Units
Direct economic value generated (revenue)	1,539,952,521	PhP
Direct economic value distributed:		
a. Operating costs	1,069,804,804	PhP
b. Employee wages and benefits	230,734,289	PhP
c. Payments to suppliers, other operating costs	494,517,506	Php
d. Dividends given to stockholders and interest payments to loan providers	---	PhP
e. Taxes given to government833,692	100,833,692	PhP
f. Investments to community (e.g. donations, CSR)	885,460	PhP

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) The Company is a publicly listed holding company composed of various subsidiaries and joint venture companies with operations in the distribution of MyPhone mobile phones and modular housing under Distribution segment; real estate (property development, sales and leasing, condominium sales and hotel operations) under the Property and Related Services segment; support services (electronics servicing, logistics and sale of professional equipment) under the Technical Services and Solutions segment; and, investments and financing under the Investment and Others segment. *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)*	*(e.g. employees, community, suppliers, government, vulnerable groups)* Directors, employees, government (and its agencies), owners (shareholders), suppliers, customers, and the community	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?* As the recovery gains traction with the reopening of the economy, the Company have seen most of its businesses performing better in 2021, the second year into the pandemic, maintaining a successful focus on recurring revenue streams as it managed its business operations with the fundamental business practices which resulted to a strong financial position and allowed for investments into new ventures during the year. Operational improvement, cost management and implementation of strict health and safety protocols in the workplace consistent with regulatory standards have influenced approach to sustainability while creating short-term to long-term value for all stakeholders. With the Company open to new opportunities stirred by impressive resilience the Philippine economy has shown during the pandemic combined with the growth momentum clearly picking up, it is into developing mitigation plans as it navigates the challenges of a recovering economy.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify risk/s related to material topic of the organization	Directors, employees, government (and its	The Company and its subsidiaries handled different trajectories by identifying,

Now on its second year of the pandemic, long term risk outlook was how to prepare for this risk. Foremost was the survival and building resilience, and not only in relation to ongoing pandemic impacts and competitive positioning, but also unleashed cyber-attacks, catastrophic climate events and social unrest that demands workplace and community change.	agencies), owners (shareholders), suppliers, customers, and the community	strengthening and constantly reviewing the risk mitigation strategies to improve resilience to critical drivers of risk: political technological and societal. 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. It monitors developments in technology advances to keep it stay abreast and up-to-date. Significant issues, impacts and appropriate responses as a result of management review, are then presented to the Board of Directors for resolution.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify the opportunity/ies related to material topic of the organization The pandemic has pushed commerce to online platforms which means cheaper and greater access, better coordination, higher productivity and lower costs. There were still constant demand for property leasing, new ventures and market opportunities; and, value creation.	Directors, employees, government (and its agencies), owners (shareholders), suppliers, customers, and the community	The Company's approach is consistent and clear focusing on the opportunities and threats arising from the pandemic as well as the most innovative measures put in place, particularly in the areas of health, human resources management, work organization, social and environmental responsibility, and crisis management. The Company set forth visions in the midst of economic recovery to attain balanced revenue and profitability growth that consistently deliver total stakeholder returns with the right strategy and plans in place.

Climate-related risks and opportunities[2]

Governance	Strategy	Risk Management	Metrics and Targets
Disclose the organization's governance around	Disclose the actual and potential impacts[3] of climate-related risks	Disclose how the organization identifies,	Disclose the metrics and targets used to assess and manage

[2] Adopted from the Recommendations of the Task Force on Climate-Related Financial Disclosures. The TCFD Recommendations apply to non-financial companies and financial-sector organizations, including banks, insurance companies, asset managers and asset owners.
[3] For this disclosure, impact refers to the impact of climate-related issues on the company.

climate-related risks and opportunities	and opportunities on the organization's businesses, strategy, and financial planning where such information is material	assesses, and manages climate-related risks	relevant climate-related risks and opportunities where such information is material
Recommended Disclosures			
a) Describe the board's oversight of climate-related risks and opportunities The Company has integrated risks and opportunities into the Company's governance framework with specific emphasis on board-level engagement and accountability. It includes risk assessment and risk management, review, evaluation, monitoring and actions to address the identified risk. The Board of Directors oversees the implementation of an effective risk culture and internal control framework across the Company. As part of its mandate, the Board oversees controls and risks including risks related to climate change issues and its stakeholders, and it accomplishes its mandate through its committees, including the Risk Management Committee and the Corporate Governance	a) Describe the climate-related risks and opportunities the organization has identified over the short, medium and long term The Company faces both significant climate-related business opportunities and significant financial risks in different parts of its value chain. Climate change affects the availability of water resources, fertility of soil and in general living conditions of the people. Business solutions that replace emissions-intensive products and services, or that are net emission negative, are in increasing demand as efforts intensify to keep climate change at a tolerable level. There's a need for the Company to have a comprehensive assessment where `we are exposed to potential climate-	a) Describe the organization's processes for identifying and assessing climate-related risks The business implications of climate change are complex and vary across sectors. Accurate and timely disclosure of current and past operating and financial results is fundamental to this function, but it is increasingly important to understand the governance and risk management context in which financial results are achieved. Worse financial performance due to untimely action on the business risks and opportunities following from climate change	a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process Financial metrics help us manage our climate-related risks and opportunities related to our finance and investing activities, our business operations, our employee and community activities. Selectively, we managed to use metrics on climate-related risks associated with water, energy, and waste management based on available data provided to us by our subsidiaries and stakeholders.

and Nominations Committee. The Risk Management Committee oversees risk management, including climate-related transition and physical risks, while the Corporate Governance and Nomination Committee provides oversight and direction on the Company's commitments, targets and performance. The Board and its committees also consider all risks in reviews of major action plans and policies to address the identified risks and seize opportunities.	related market risks that could arise from current and emerging regulations and legislations involving us and our clients, as well as more extreme weather events causing property and asset damage that will have impact to the company, its owners and directors, our customers and suppliers.		
b) Describe management's role in assessing and managing climate-related risks and opportunities The management shall assign climate-related responsibilities to management-level positions or committee and reports to the board or committee of the board its responsibilities which include assessing and managing climate-related issues.	b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy and financial planning. The Company considers climate change for strategic planning and analysis, work with existing processes and allow these to develop and mature over time by integrating short, medium and long-term climate change considerations into its business, including direct impacts to operations as well as indirect impacts	b) Describe the organization's processes for managing climate-related risks Integrating relevant climate considerations into our business decisions continues to support our long-term growth strategy taking into consideration the useful life of the organization's assets or infrastructure and the fact that climate-related issues often manifest themselves over the medium and longer terms,	b) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets The Company did not have the targets yet to manage climate-related risks and opportunities and performance against targets but will do so in the future.

	associated with the customers.		
	c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios including a 2°C or lower scenario The Company's resilience strategy focuses on sustainable operations but it does not include yet the different climate related scenarios including a 2°C or lower scenario.	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management The Company's risk management in identifying potential risks in advance, analyzing them and taking precautionary steps to reduce or curb climate related risks is embodied in the Company's charter which is integral into the organization's overall risk management.	

Reference:
https://www.solidgroup.com.ph/sites/default/files/downloadables/SGI_Amended%20Risk%20Management%20Committee%20Charter.pdf

Procurement Practices

Proportion of spending on local suppliers

Disclosure	Quantity	Units
Percentage of procurement budget used for significant locations of operations that is spent on local suppliers	8	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach

Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) Mobile phones, tablets and accessories of the digital mobile segment business were purchased from the OEM (original equipment manufacturers). Other products were sourced from Sony and other electronic brands. *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)* Most of the products sold by the Company were sourced outside of the country direct from the manufacturer which are cheaper and still provide higher value to consumers.	*(e.g. employees, community, suppliers, government, vulnerable groups)* Employees, suppliers, customers and government regulatory body	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?* The Company has no written policy on procurement but it has a practice of buying locally available goods and services for most of its requirements in its day-to-day operations involving property and related services, technical support and solutions; and, investment and others business segments. The Company prioritized buying locally available goods and services from companies or suppliers offering best value at reasonable and competitive prices such as office supplies, furniture, fixtures & equipment, building construction materials; and, transportation equipment used for its servicing and distribution businesses.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify risk/s related to material topic of the organization Single-source procurement brings a greater risk of corruption, resource scarcity, legislation and reputational risk .	Employees, suppliers, government	The Company ensures that appropriate decisions are made after thorough assessment and evaluation of different supplier organizations based on prices, delivery and quality of offered products and services. The Company also checks their compliance to existing government regulations and their environmental performance.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify the opportunity/ies related to material topic of the organization	Employees and suppliers	The Company manages requirements for goods, services, works and utilities in a way that achieves value for money on a whole life basis in terms of generating

Wide range of business contacts in sourcing of quality materials and supplies		benefits not only to the organization but to the consumers and the government.

Anti-corruption

Training on Anti-corruption Policies and Procedures

Disclosure	Quantity	Units
Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated to	No data	%
Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to	No data	%
Percentage of directors and management that have received anti-corruption training	0	%
Percentage of employees that have received anti-corruption training	0%	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) In a nutshell, corruption increases inequality, decreases popular accountability and political responsiveness, and thus produces rising frustration and hardship within and outside the organization who are then more likely to accept (or even demand) oppressive and unrefined tactics. *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)* The Company through its group internal audit department attended anti-corruption training from reputable companies and echoed	*(e.g. employees, community, suppliers, government, vulnerable groups)* Directors, employees, government (and its agencies), owners (shareholders), suppliers and customers	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?* It is the policy of the Company to ensure its employees are aware and well-informed about its Code of Business Conduct. The board disseminated the policy and program to employees across the organization through the Audit department where it conducted a series of orientation seminar within the Group. http://www.solidgroup.com.ph/sites/default/files/downloadables/SGI%20Amended%20Manual%20on%20Corporate%20Governance%20as%20of%20June%209%2C%202017.pdf

the anti-corruption training within the Company.		The Company has embarked on a group wide program dubbed as S.O.S Speak Out Safely. This enables all concerned to give information regarding fraud, abuse, waste and/or misconduct activities where anonymity is protected and all information are confidential. The reports can be given through email or letter, phone call or text and/or personal appointment. https://www.solidgroup.com.ph/sites/default/files/downloadables/SGI%20Code%20of%20Business%20Conduct.pdf
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify risk/s related to material topic of the organization Employees/personnel who underwent training may still commit corruption	Directors, employees, government (and its agencies), owners (shareholders), suppliers and customers	Corruption can prevent good governance principles and structures from being put in place. Enforcement of a good governance through participation, transparency, responsiveness and accountability are being adhered by everyone from the board of directors, the business owner and the compliance function. They made it clear that they won't tolerate bribery and corruption and that anyone found guilty will face the highest sanctions.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify the opportunity/ies related to material topic of the organization Training staff to make them aware of their responsibilities, the company's expectations and the consequences of committing corruption; and, empowering staff to play a role in maintaining	Directors, employees, government (and its agencies), owners (shareholders), suppliers and customers	The Company implements adequate systems and controls (policies and procedures) in corruption prevention embedded and understood by everyone in the organization. The management supports good quality anti-corruption training program critical in understanding the human impact of corruption and their specific responsibilities for helping to

compliance in Code of Conduct by outlining whistleblowing procedures and red flags to look out for.		prevent corruption in everyday situations they may come across. Everybody in the organization will be much more likely to remember their duties and act in the right way.

Incidents of Corruption

Disclosure	Quantity	Units
Number of incidents in which directors were removed or disciplined for corruption	_	#
Number of incidents in which employees were dismissed or disciplined for corruption	_	#
Number of incidents when contracts with business partners were terminated due to incidents of corruption	_	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Which stakeholders are affected?**	**Management Approach**
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) No incidents of corruption were reported during the year. *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)* No incidents of corruption were reported during the year.	*(e.g. employees, community, suppliers, government, vulnerable groups)* Directors, employees, government (and its agencies), owners (shareholders), suppliers and customers	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?* The Company promotes the culture of awareness and education which are a vital and necessary component of any sustainable anti-corruption efforts. Everybody in the organization is aware of the various risk mitigation measures adopted by the Company to protect the integrity and efficiency of business processes with the support of a strong and effective organizational and accountability structure.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify risk/s related to material topic of the organization	Directors, employees, government (and its agencies), owners	A risk management approach to corruption prevention is a good way to ensure that the risks of corruption are identified, understood and effectively

No incidents of corruption were reported during the year. Corruption, however, may occur in any business process within the organization involving human resources, financial management, procurement, construction and infrastructure development, among others.	(shareholders), suppliers and customers	managed. It is the policy of the company to mitigate these risks through identification of structural weaknesses that may facilitate corruption, providing a framework for every level of authority to take part in identifying risk factors and risk mitigation measures, embedding corruption prevention within the authority's governance framework and implementation of well-defined policies and effective platforms to proactively manage and oversee all aspects of the business.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify the opportunity/ies related to material topic of the organization Enhancing company's reputation	Directors, employees, government (and its agencies), owners (shareholders), suppliers and customers	The Company is being prepared for corruption risks by protecting or even enhancing the company's reputation adopting a smart, long-term strategic solution with our CEO and the board proactively leading the anti-corruption effort in a broader, holistic manner, investing in creating a sustainable culture of integrity – with all the right policies, incentives and performance metrics in place for the long term.

ENVIRONMENT

Resource Management

Energy consumption within the organization:

Disclosure	Quantity	Units
Energy consumption (renewable sources)	-	GJ
Energy consumption (gasoline)	1,633	GJ
Energy consumption (LPG)	-	GJ
Energy consumption (diesel)	14,846	GJ
Energy consumption (electricity)	4,408,727	kWh

Reduction of energy consumption

Disclosure	Quantity	Units
Energy reduction (gasoline)	10	GJ
Energy reduction (LPG)	-	GJ
Energy reduction (diesel)	-	GJ
Energy reduction (electricity)	480	kWh

Energy reduction (gasoline)	-	GJ

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Which stakeholders are affected?**	**Management Approach**
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) Energy consumption within the organization is from company service and delivery vehicles, generators and stationary equipment and electricity consumed within the buildings used in company operations. *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)*	*(e.g. employees, community, suppliers, government, vulnerable groups)* Directors, employees, government (and its agencies), owners (shareholders), suppliers, customers and the public	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?* The Company's energy management through control and reduction of energy consumption enabled it to reduce costs, carbon emissions and health risk thereby promoting a culture of responsible resource use, sustainable practices and genuine care for the environment. Environmental stewardship is at the core of its commitment to go green and help in building a better working world.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify risk/s related to material topic of the organization Increased costs, carbon emissions and risks.	Directors, employees, government (and its agencies), owners (shareholders), suppliers, customers and the public	The Company continually implements efficient use of energy through consumption reduction in all aspects within the organization taking into consideration the savings it can generate and the benefits of lesser carbon emission in the environment that will safeguard nature from potentially damaging business operations, benefitting the economy, the environment and the people.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify the opportunity/ies related to material topic of the organization	Directors, employees, government (and its agencies), owners	Managing energy effectively is an ongoing process in the company. Energy management is key to energy

Cleaner environment, reduced energy cost	(shareholders), suppliers, customers and the public	conservation. It reduced the operating costs and improved the bottom line. This systematic management cut carbon emissions, enabling to meet sustainability goals and regulatory requirements in creating cleaner environment.

Water consumption within the organization

Disclosure	Quantity	Units
Water withdrawal	68,770	Cubic meters
Water consumption	68,770	Cubic meters
Water recycled and reused	_	Cubic meters

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) Water consumed within the properties used for hotel operations, condominium units, real estate for leasing and offices used in company operation and its supply chain. *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)* ---	*(e.g. employees, community, suppliers, government, vulnerable groups)* Directors, employees, government (and its agencies), owners (shareholders), suppliers, customers and the public community	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?* The Company encourages water conservation and raises awareness (with posters and signs within the premises as reminder to observe proper water usage). It promotes wastage avoidance that will contribute to reducing water consumption and, consequently, to delaying the need for new resources.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify risk/s related to material topic of the organization	Directors, employees, government (and its agencies), owners	The Company adopted water quality management using of a set of technical and non-technical measures and activities,

Risk impacts to diminishing resources, public health, rising water demand, aging infrastructure, business and the environment.	(shareholders), suppliers, customers and the public	to maintain and improve quality according to the requirements of water uses as well as the protection of the ecosystems.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify the opportunity/ies related to material topic of the organization Conservation of water quality, access and the risk of scarcity are all issues of concern to industry leaders because they are vital to the success of their businesses	Directors, employees, government (and its agencies), owners (shareholders), suppliers, customers and the public	The Company will work for a comprehensive and detailed management approach in the future

Materials used by the organization

Disclosure	Quantity	Units
Materials used by weight or volume		
• renewable	2,400	kg/liters
• non-renewable	87,668	kg/liters
Percentage of recycled input materials used to manufacture the organization's primary products and services	-	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) The Company's materials used came from its real estate business of leasing, hotel operation, condominium sales and development projects. *Indicate involvement in the impact (i.e., caused by the organization or*	*(e.g. employees, community, suppliers, government, vulnerable groups)* Directors, employees, government (and its agencies), owners (shareholders), suppliers, customers and the public	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?* The Company is working on materials management through waste reduction and disposal; use of environmentally friendly materials as part of its environmental, health and social

linked to impacts through its business relationship) The Company has no data for this period as projects were pushed back or operations slowed down due to pandemic.		responsibility; and. proper segregation and disposal of material wastes.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify risk/s related to material topic of the organization The Company has no data for this period but will provide when applicable.	Directors, employees, government (and its agencies), owners (shareholders), suppliers, customers and the public	The Company is working on materials management including reducing waste as part of its environmental, health and social responsibility.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify the opportunity/ies related to material topic of the organization The Company has no data for this period but will provide when applicable.	Directors, employees, government (and its agencies), owners (shareholders), suppliers, customers and the public	The Company is consistent in its strategy to increase the efficient and sustainable use of resources and reduce waste generation.

Ecosystems and biodiversity (whether in upland/watershed or coastal/marine)

Disclosure	Quantity	Units
Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	(identify all sites) N/A	
Habitats protected or restored	N/A	ha
IUCN[4] Red List species and national conservation list species with habitats in areas affected by operations	N/A	

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Which stakeholders are affected?**	**Management Approach**

[4] International Union for Conservation of Nature

Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) This is not applicable to the present operation of the company. *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)* This is not applicable to the present operation of the company.	*(e.g. employees, community, suppliers, government, vulnerable groups)* This is not applicable to the present operation of the company.	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?* This is not applicable to the present operation of the company.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify risk/s related to material topic of the organization This is not applicable to the present operation of the company.	This is not applicable to the present operation of the company.	This is not applicable to the present operation of the company.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify the opportunity/ies related to material topic of the organization This is not applicable to the present operation of the company.	This is not applicable to the present operation of the company.	This is not applicable to the present operation of the company.

Environmental impact management

Air Emissions

GHG

Disclosure	Quantity	Units
Direct (Scope 1) GHG Emissions Gasoline (11,652) Diesel (7,054)	46	Tonnes CO_2e
Energy indirect (Scope 2) GHG Emissions	590	Tonnes CO_2e
Emissions of ozone-depleting substances (ODS)	-	Tonnes

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Which stakeholders are affected?**	**Management Approach**

Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)* Direct GHG emissions are from owned or controlled sources such as fuel consumed by vehicles and LPG consumption. Indirect GHG emissions are from electricity purchased from energy company like Meralco. This comprises energy consumptions within the Group.	*(e.g. employees, community, suppliers, government, vulnerable groups)* Directors, employees, government (and its agencies), owners (shareholders), suppliers, customers and the public	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?* The Company's strategy related to air quality includes specific techniques and measures identified and implemented to achieve reductions in air pollution to attain air quality standard or goal.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify risk/s related to material topic of the organization Air pollution	Directors, employees, government (and its agencies), owners (shareholders), suppliers, customers and the public	The Company is consistent in its strategy to increase the efficient and sustainable use of resources and reduce waste generation which entails measuring emissions and understanding their sources, setting a goal for reducing emissions, developing a plan to meet this goal, and implementing the plan to achieve reductions in emissions.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify the opportunity/ies related to material topic of the organization Improving air quality can deliver substantial health benefits; reducing air pollution levels means reducing premature deaths and diseases from stroke, heart disease, lung cancer, and both chronic and acute respiratory diseases, including asthma.	Directors, employees, government (and its agencies), owners (shareholders), suppliers, customers and the public	The Company is consistent in its strategy to increase the efficient and sustainable use of resources and reduce waste generation which entails measuring emissions and understanding their sources, setting a goal for reducing emissions, developing a plan to meet this goal, and implementing the plan to achieve reductions in emissions.

Air pollutants

Disclosure	Quantity	Units
NO_x	-	kg
SO_x	-	kg
Persistent organic pollutants (POPs)	-	kg
Volatile organic compounds (VOCs)	-	kg
Hazardous air pollutants (HAPs)	-	kg
Particulate matter (PM)	-	kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) The Company has no data for the period but will work on it in the future. *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)* The Company has no data for the period but will work on it in the future.	*(e.g. employees, community, suppliers, government, vulnerable groups)* The Company has no data for the period but will provide in the future.	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?* The Company will work for a comprehensive and detailed management approach in the future
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify risk/s related to material topic of the organization The Company has no data for the period but will work on it in the future.	The Company has no data for the period but will provide in the future.	The Company will work for a comprehensive and detailed management approach in the future
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**

Identify the opportunity/ies related to material topic of the organization The Company has no data for the period but will work on it in the future.	The Company has no data for the period but will work on it in the future.	The Company will work for a comprehensive and detailed management approach in the future

Solid and Hazardous Wastes

Solid Waste

Disclosure	Quantity	Units
Total solid waste generated	-	kg
Reusable	-	kg
Recyclable	3,600	kg
Composted	-	kg
Incinerated	-	kg
Residuals/Landfilled	87,668	kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) Real estate business of the company *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)* Managing waste and its impact on the environment	*(e.g. employees, community, suppliers, government, vulnerable groups)* Directors, employees, government (and its agencies), owners (shareholders), suppliers, customers, tenants, guests and the public.	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?* Controlling material flows in the overall industrial and economic systems is the company's management approach to minimize waste.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**

Identify risk/s related to material topic of the organization Proper waste disposal that will not damage the environment	Directors, employees, government (and its agencies), owners (shareholders), suppliers, customers and the public	Controlling material flows in the overall industrial and economic systems is the company's management approach to minimize waste.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify the opportunity/ies related to material topic of the organization Vigilance in reducing waste, reusing items and recycling materials	Directors, employees, government (and its agencies), owners (shareholders), suppliers, customers and the public	Controlling material flows in the overall industrial and economic systems is the company's management approach to minimize waste.

Hazardous Waste

Disclosure	**Quantity**	**Units**
Total weight of hazardous waste generated	603	kg
Total weight of hazardous waste transported	603	kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Which stakeholders are affected?**	**Management Approach**
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) The Company has no data right now but it will be working on it in the future. Administrative and office related works within the group have electrical and electronics waste like laptops, UPS, busted lights, cable wire and the like. Operation related wastes from the nature of business like cooking oil and cleaning solutions for hotel and restaurant	*(e.g. employees, community, suppliers, government, vulnerable groups)* Directors, employees, government (and its agencies), owners (shareholders), suppliers, customers and the public	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?* The Company will work for a comprehensive and detailed management approach in the future.

business, electronic waste for logistics business and repair services of electronic products. *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)*		
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify risk/s related to material topic of the organization The Company has no data for this period but will provide in the future**.**	Directors, employees, government (and its agencies), owners (shareholders), suppliers, customers and the public	The Company has no policy on hazardous waste but will work on it in the future.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify the opportunity/ies related to material topic of the organization The Company has no data for this period but will provide in the future	Directors, employees, government (and its agencies), owners (shareholders), suppliers, customers and the public	The Company has no policy on hazardous waste but will work on it in the future.

Effluents

Disclosure	Quantity	Units
Total volume of water discharges	5,378	Cubic meters
Percent of wastewater recycled	-	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)	*(e.g. employees, community, suppliers, government, vulnerable groups)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?*

Businesses involving hotel, leasing and condominium *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)* Hotel operations, leasing and condominium have significant water discharges due to their business activities involving its tenants, costumers and guests water consumptions	Employees, tenants, customers/clients, guests, suppliers	The Company continues to innovate in water utilization to conserve the resource without compromising the needs of its business operations and of its customers and clientele.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify risk/s related to material topic of the organization Scarce resources of clean and sustainable water supply	Employees, tenants, customers/clients, guests, suppliers	The Company will work for a comprehensive and detailed management approach in the future
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify the opportunity/ies related to material topic of the organization None identified	Employees, tenants, customers/clients, guests, suppliers	The Company will work for a comprehensive and detailed management approach in the future

Environmental compliance

Non-compliance with Environmental Laws and Regulations

Disclosure	Quantity	Units
Total amount of monetary fines for non-compliance with environmental laws and/or regulations	_	PhP
No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations	_	#
No. of cases resolved through dispute resolution mechanism	-	#

What is the impact and where does it occur? What is the	Which stakeholders are affected?	Management Approach

organization's involvement in the impact?		
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) The Company has no data for this period but will provide in the future. *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)* The Company has no data for this period but will provide in the future.	*(e.g. employees, community, suppliers, government, vulnerable groups)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?* The Company is committed to comply with the government mandate to follow environmental laws and regulations.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify risk/s related to material topic of the organization The Company has no data for this period but will provide in the future.		The Company will work for a comprehensive and detailed management approach in the future.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify the opportunity/ies related to material topic of the organization The Company has no data for this period but will provide in the future.		The Company will work for a comprehensive and detailed management approach in the future.

SOCIAL

Employee Management

Employee Hiring and Benefits

Employee data

Disclosure	Quantity	Units

Total number of employees[5]		
a. Number of female employees	145	#
b. Number of male employees	194	#
Attrition rate[6]	-0.846	rate
Ratio of lowest paid employee against minimum wage	1%	ratio

Employee benefits

List of Benefits	Y/N	% of female employees who availed for the year	% of male employees who availed for the year
SSS	Y	41	27
PhilHealth	Y	32	26
Pag-ibig	Y	39	31
Parental leaves	Y	0	1
Vacation leaves	Y	73	70
Sick leaves	Y	35	42
Medical benefits (aside from PhilHealth))	N	43	64
Housing assistance (aside from Pag-ibig)	N	0	0
Retirement fund (aside from SSS)	Y	0	2
Further education support	N	0	0
Company stock options	N	0	0
Telecommuting	Y	17	22
Flexible-working Hours	Y	6	7
(Others)	Y	0	0

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) As employee well-being climbs toward the top of the priority list, benefits are front and center where the company looked for ways to support its employees through these challenging times.	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?* The Company conducted training programs to further enhance the organization's development and nurture knowledge and skills of employees and management. With the right platform, the Company provided employees need and deliver benefit package such

[5] Employees are individuals who are in an employment relationship with the organization, according to national law or its application (GRI Standards 2016 Glossary)
[6] Attrition are = (no. of new hires – no. of turnover)/(average of total no. of employees of previous year and total no. of employees of current year)

Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)	as work from home, financial help and equip managers with tools to engage remote workers effectively.
What are the Risk/s Identified?	**Management Approach**
Identify risk/s related to material topic of the organization Effect of the pandemic on the mental health of the employees and limitations in mobility and access to health providers	The Company has a procedure within the organization to provide assessment of employees' competence and provide support to those not at par through training and coaching. Furthermore, feedbacks are provided and more applicable and relevant programs and trainings are conducted. From the company's point of view, the focus has been and continues to be on stabilizing business activity.
What are the Opportunity/ies Identified?	**Management Approach**
Identify the opportunity/ies related to material topic of the organization Opportunity to cultivate an employee's skills and competence	The company provides the employees with improved mental health advisories, whether it be to improve their physical health or to successfully deal with mental overload and stress providing or creating programs that lean towards employee enhancement and development.

Employee Training and Development

Disclosure	Quantity	Units
Total training hours provided to employees		
a. Female employees	687	hours
b. Male employees	1,210	hours
Average training hours provided to employees		
a. Female employees	5	hours/employee
b. Male employees	6	hours/employee

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) Awareness/compliance to government and company's policies, regulations and health protocols. *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?* The Company supports its employees by providing online training programs in technical, technological, quality, skills, professional and other relevant trainings to keep abreast with recent developments applicable in the workplace.

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What are the Risk/s Identified?	**Management Approach**
Identify risk/s related to material topic of the organization Training needs analysis	The Company is consistently providing training programs to strengthen skills and knowledge of all the employees.
What are the Opportunity/ies Identified?	**Management Approach**
Identify the opportunity/ies related to material topic of the organization Continuous training and orientation to all employees	There are development programs like online trainings, task and job rotations, coaching, mentoring, workshops and conferences that bring all employees to a higher level so they all have similar skills and knowledge. This helps reduce any weak links within the company who rely heavily on others to complete basic work tasks

Labor-Management Relations

Disclosure	Quantity	Units
% of employees covered with Collective Bargaining Agreements	0	%
Number of consultations conducted with employees concerning employee-related policies	267	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Management Approach**
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) Adherence to existing labor laws and standard *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?* The company has the policy of a comprehensive worker-management relationship which is a vital component to the long-term sustainability and good work environment within the organization
What are the Risk/s Identified?	**Management Approach**
Identify risk/s related to material topic of the organization Discontented employees and unionized organization	The Company has good labor practices which avoids combative relationship between labor and management.
What are the Opportunity/ies Identified?	**Management Approach**

Identify the opportunity/ies related to material topic of the organization Lower turn-over of personnel, greater efficiency and higher productivity and growth.	The Company has sound labor-management practices to ensure employees productivity and satisfaction which generally contributes to economic growth and development and increase in efficiency within the organization.

Diversity and Equal Opportunity GRI 405

Disclosure	Quantity	Units
% of female workers in the workforce	43	%
% of male workers in the workforce	57	%
Number of employees from indigenous communities and/or vulnerable sector*	6 solo parents	#

**Vulnerable sector includes, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E).*

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Management Approach**
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) Stakeholders are expected to show interest in information concerning the employment of minorities or women, equal opportunities, work-life balance or the integration of disadvantaged groups, among others, which constitute diversity concerns. *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?* The Company adheres to creating a workforce that is fair and inclusive and seeks to retain and attract the best people to do the job through diversity and equal opportunity for all. It's been the policy of the Company to implement equality and diversity programs into hiring practices.
What are the Risk/s Identified?	**Management Approach**
Identify risk/s related to material topic of the organization Employees from different backgrounds such as age, gender and cultural backgrounds have different needs and feel the urge to be respected in their workplace. Distinct workforce belonging to diverse	The Company maintains and promotes harmony in the workplace as it believes its importance in increasing productivity and equality within the organization. Management managed the need of these diverse groups of people through implementation of work standards and ethics to avoid employee tensions and conflicts.

cultures with different characteristics, aspirations, and expectations in the workplace	
What are the Opportunity/ies Identified?	**Management Approach**
Identify the opportunity/ies related to material topic of the organization Diversity in the workplace promotes improvement and advancement	Diversity in the work place creates more innovative and advanced business outputs. The Company's diverse team can produce more creative, innovative ideas and skills diversity that promotes good business performance.

Workplace Conditions, Labor Standards, and Human Rights

Occupational Health and Safety

Disclosure	Quantity	Units
Safe Man-Hours	848,748	Man-hours
No. of work-related injuries	0	#
No. of work-related fatalities	0	#
No. of work related ill-health	0	#
No. of safety drills	8	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Management Approach**
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?* The Company provides a safe workplace for the employees with health and safety protocols in place.
What are the Risk/s Identified?	**Management Approach**
Identify risk/s related to material topic of the organization Incidence of illness and injury especially during the pandemic	The Company has occupational safety and health standards and protocols across the organization.

What are the Opportunity/ies Identified?	Management Approach
Identify the opportunity/ies related to material topic of the organization Improve safety and well being of the human resources	It is the policy of the Company to adhere to occupational safety and health standard across the organization.

Labor Laws and Human Rights

Disclosure	Quantity	Units
No. of legal actions or employee grievances involving forced or child labor	0	#

Do you have policies that explicitly disallows violations of labor laws and human rights (e.g. harassment, bullying) in the workplace?

Topic	Y/N	If Yes, cite reference in the company policy
Forced labor	Y	Section III on Employee's Handbook Employment conditions of the Company
Child labor	Y	Section III on Employee's Handbook Employment conditions of the Company
Human Rights	Y	Section III on Employee's Handbook Employment conditions of the Company Code of Conduct Pertains to all sanctions imposed upon committing a violation or negative action

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach

Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) Positive impact on personnel and the organization *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)* Not applicable	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?* Continuing to uphold the organization's policies and core values and maintaining credibility by aligning it according to national or international standards. https://www.solidgroup.com.ph/sites/default/files/downloadables/SGI_Policy%20and%20Data%20relating%20to%20Health%2C%20Safety%20and%20Welfare.pdf
What are the Risk/s Identified?	**Management Approach**
Identify risk/s related to material topic of the organization Possibilities of outdated or misaligned policies	Continuously reviewing and realigning policies according to national or international standards while maintaining its stability by adopting its core values
What are the Opportunity/ies Identified?	**Management Approach**
Identify the opportunity/ies related to material topic of the organization Updating policies according to the organization and society's standards	By being aware of changes in society as well as the norms by reviewing laws or standards and applying it to the organization's system

Supply Chain Management

Do you have a supplier accreditation policy? If yes, please attach the policy or link to the policy:

Do you consider the following sustainability topics when accrediting suppliers?

Topic	Y/N	If Yes, cite reference in the supplier policy
Environmental performance	N	N/A
Forced labor	N	N/A
Child labor	N	N/A
Human rights	N	N/A
Bribery and corruption	N	N/A

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Management Approach**

Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) The Company's business operations have not identified this material topic but will be considered when applicable. *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)* The Company's business operations have not identified this material topic but will be considered when applicable.	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?* The Company will work for a comprehensive and detailed management approach in the future.
What are the Risk/s Identified?	**Management Approach**
Identify risk/s related to material topic of the organization The Company's business operations have not identified this material topic but will be considered when applicable.	The Company will work for a comprehensive and detailed management approach in the future
What are the Opportunity/ies Identified?	**Management Approach**
Identify the opportunity/ies related to material topic of the organization The Company's business operations have not identified this material topic but will be considered when applicable.	The Company will work for a comprehensive and detailed management approach in the future.

Relationship with Community

Significant Impacts on Local Communities

Operations with significant (positive or negative) impacts on local communities (exclude CSR projects; this has to be business operations)	Location	Vulnerable groups (if applicable)*	Does the particular operation have impacts on indigenous people (Y/N)?	Collective or individual rights that have been identified that or particular concern for the community	Mitigating measures (if negative) or enhancement measures (if positive)
N/A	N/A	N/A	N/A	N/A	N/A

**Vulnerable sector includes children and youth, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E)*

For operations that are affecting IPs, indicate the total number of Free and Prior Informed Consent (FPIC) undergoing consultations and Certification Preconditions (CPs) secured and still operational and provide a copy or link to the certificates if available: _____________

Certificates	Quantity	Units
FPIC process is still undergoing	N/A	#
CP secured	N/A	#

What are the Risk/s Identified?	Management Approach
Identify risk/s related to material topic of the organization The Company's business operations have not identified this material topic but will be considered when applicable.	This will be addressed in the future, when applicable to the Company's operation.
What are the Opportunity/ies Identified?	**Management Approach**
Identify the opportunity/ies related to material topic of the organization The Company's business operations have not identified this material topic but will be considered when applicable.	This will be addressed in the future, when applicable to the Company's operation.

Customer Management

Customer Satisfaction

Disclosure	Score	Did a third party conduct the customer satisfaction study (Y/N)?
Customer satisfaction	N/A	N

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?*

The Company's distribution segment sells MyPhone mobile phones, tablets and accessories to major distributors and prefabricated modular housing. The Company has not conducted any survey for the period but will do so in the future when applicable. *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)*	MyPhone device has been tested and passed according to the standards in compliance with the essential requirements in the specified directive. It is safe, secure and efficient to use. Every new smartphone has been Google certified and granted the approval for manufacturing and shipment. Our MyHouse prefabricated modular housing can withstand natural disasters.
What are the Risk/s Identified?	**Management Approach**
Identify risk/s related to material topic of the organization Myphone experienced a downward trajectory in smartphone market share due to stiff competition.	The Company imports, distributes and sells mobile phones, gadgets and accessories to dealers and retailers. It shifts in business model in 2019 earning service income equivalent to percentage of sales of MyPhone products when it assigned the distribution of MyPhone products to its local distributors/importers, subsequently reducing sales thereafter.
What are the Opportunity/ies Identified?	**Management Approach**
Identify the opportunity/ies related to material topic of the organization MyPhone offers affordable quality phones to Filipino masses who can hardly afford high-end mobile phones, with features not behind the high-end mobile phones. MyHouse offers affordable prefabricated modular housing fast to build at a lower cost.	The Company commits to constantly study, understand and keep up with the latest technological advancements, demands, and trends, while we constantly remind ourselves to put the changing and evolving needs of our customers in the face of the changing times, always on top of our priority.

Health and Safety

Disclosure	Quantity	Units
No. of substantiated complaints on product or service health and safety*	0	#
No. of complaints addressed	0	#

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Management Approach**
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) The Company has no available information for the period. *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)* The Company has no available information for the period.	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?* The Company adopts the use of appropriate practices, means, methods, operations or processes, and working conditions reasonably necessary to ensure safe and healthful employment.
What are the Risk/s Identified?	**Management Approach**
Identify risk/s related to material topic of the organization The Company has no available information for the period.	The Company adopts the use of appropriate practices, means, methods, operations or processes, and working conditions reasonably necessary to ensure safe and healthful employment.
What are the Opportunity/ies Identified?	**Management Approach**
Identify the opportunity/ies related to material topic of the organization The Company has no available information for the period.	The Company adopts the use of appropriate practices, means, methods, operations or processes, and working conditions reasonably necessary to ensure safe and healthful employment.

Marketing and labelling

Disclosure	Quantity	Units
No. of substantiated complaints on marketing and labelling*	0	#
No. of complaints addressed	0	#

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) The Company's distribution segment sells MyPhone mobile phones, tablets and accessories to customers. It also distributes pre-fabricated modular housing technology under MyHouse. The Company has no available information for the period. *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)* The Company has no available information for the period.	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?* This will be addressed in the future, when applicable.
What are the Risk/s Identified?	**Management Approach**
Identify risk/s related to material topic of the organization The Company has no available information for the period.	This will be addressed in the future, when applicable.
What are the Opportunity/ies Identified?	**Management Approach**
Identify the opportunity/ies related to material topic of the organization The Company has no available information for the period.	This will be addressed in the future, when applicable.

Customer privacy

Disclosure	Quantity	Units
No. of substantiated complaints on customer privacy*	0	#
No. of complaints addressed	0	#
No. of customers, users and account holders whose information is used for secondary purposes	0	#

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) The Company has no available information for the period. The Company's distribution segment sells mobile phones, tablets and accessories to its retailers and pre-fabricated modular housing technology under MyHouse; and, its technical support and solutions segment renders services to major distributors in the electronics industry through its logistics and integration and commissioning works. *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)* The Company has no available information for the period.	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?* The Company upholds the proper handling and protection of the sensitive personal information provided by customers/clients in the course of everyday transactions by handling their sensitive personal data responsibly, minimizing data collection and retention gathering information limited to what is needed by the company to deliver its product and services.
What are the Risk/s Identified?	**Management Approach**
Identify risk/s related to material topic of the organization Loss of customer trust or legal complaints over privacy mishaps.	The Company sees to it that it has a secured network, databases and website as the internet has evolved into a medium of commerce, making consumer data privacy a growing concern.
What are the Opportunity/ies Identified?	**Management Approach**
Identify the opportunity/ies related to material topic of the organization It can create customer goodwill and even lift sales, while reducing business and legal risks. Strong security increases overall customer satisfaction and customers have shown they are willing to spend more with us whom they trust to protect their privacy and data.	The Company developed and maintained its privacy policy protecting customer privacy which enables the company to drive more revenues and gain more customers as they believe that privacy practices of the company can be trusted, in addition to its products and services dependability and pricing practices.

Data Security

Disclosure	Quantity	Units
No. of data breaches, including leaks, thefts and losses of data	0	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) The Company's business segments namely distribution, property and building services, technical support and solutions and investment & others deals with stakeholders and customers (private and government) requiring data information for its business transactions. *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)* The Company is exposed to cyber threats that need sustainable security solutions in today's increasingly digital marketplace because the need for data protection is more critical than ever	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?* In 2019, the Company entered into an agreement with a consulting company for data privacy compliance and protection in relation to Data Privacy Act of 2012. It conducted workshops on comprehending the organization's inventory of information and communication systems, facilitated risk assessment, conducted gap analysis for processes and existing protocols, advocacy and awareness of data privacy organization-wide, set up physical, technical, and organization controls, advised liaising with and conforming to the rules of the NPC and guided the company on incidents and data breaches. The Company was able to understand its full life cycle of data that enabled the company to identify the probable areas of problems, risks and threats related to data privacy. The proactive effort of resolving these hazards not only protects the interest of the individuals, but also that of the company, as this puts in place safeguards that would optimistically prevent any financial loss and reputational damage due to unexpected attacks. It also conducted Seminar on Data Privacy Awareness to all employees aimed to protect personal information and the corresponding laws that govern it.
What are the Risk/s Identified?	**Management Approach**
Identify risk/s related to material topic of the Cyber threats like malware, ransomware, hackers, database contamination and risk of being breached.	The Company was able identify the probable areas of problems, risks and threats related to data privacy and security by understanding its full life cycle of data. As breaches become more frequent and more severe, security that worked yesterday may not address today's issues, hence, the Company implemented sustainable security

	solutions to fortify all data that's rooted in proactively evolving to meet new challenges.
What are the Opportunity/ies Identified?	**Management Approach**
Identify the opportunity/ies related to material topic of the organization A sustainable environment and proactive effort to employ sustainable security technologies in resolving hazards with the constantly changing security challenges of today.	It adopts a sustainable environment both in physical and digital aspect to ensure that resources remain accessible The proactive effort of resolving these hazards not only protects the interest of the individuals, but also that of the company, as this puts in place safeguards that would optimistically prevent any financial loss and reputational damage due to unexpected attacks. .

UN SUSTAINABLE DEVELOPMENT GOALS

Product or Service Contribution to UN SDGs

Key products and services and its contribution to sustainable development.

Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
Sale of mobile phones, tablets and accessories; and, pre-fabricated modular housing technology.	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all. Ensure sustainable consumption and production patterns and sustainable operation	Waste accumulation pollution	MyPhone commits to constantly study, understand and keep up with the latest technological advancements, innovations, demands, and trends towards a sustainable growth respectful of the environment.

Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
Real estate (development, sale, leasing and hotel operation)	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation. Make cities and human settlements inclusive, safe and resilient	Soil exploitation, air pollution and overbuilding	We use technology, innovations and cooperation to change the development trend towards a sustainable growth respectful of the environment.
Sale of broadcast, professional equipment, medical supplies & accessories and rendering of services from project integration	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	Waste accumulation, pollution	We use technology, innovations and cooperation to change the development trend towards a sustainable growth respectful of the environment.
Warehousing, Logistics, distribution and product testing of consumer electronic products	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	Waste accumulation, pollution	We help increase resource-use efficiency and the adoption of cleaner and environmentally sound technologies. Developing and providing quality, reliable, sustainable and resilient mobility solutions and infrastructure with a particular focus on smart mobility, urban green infrastructure and resilience, we were able to offer clients all-encompassing sustainable transport and technical solutions.

** None/Not Applicable is not an acceptable answer. For holding companies, the services and products of its subsidiaries may be disclosed.*