COVER SHEET

8 4 5 - - - - - - -

SEC Registration Number

S O L I D G R O U P , I N C .

(Company's Full Name)

2 2 8 5 D O N C H I N O R O C E S A V E N U E

M A K A T I C I T Y , P H I L I P P I N E S

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

Annie Orbe	8843-1511
Contact Person	Company Telephone Number

2021 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 July 29, 2021, 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://zoom.us/j/98568264710?pwd=VG5MN3FFbzZJclY2a210RWp2M05DQT09.

The password to attend the meeting shall be provided by the Company to all stockholders of record as of June 30, 2021 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, 2020
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 June 30, 2021 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 July 19, 20201.

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 proxy form in PDF, JPEG or similar format to **info@solidgroup.com.ph** not later than the close of business on July 19, 2021. 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 July 19, 2021. 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 July 19, 2021. Otherwise, the Company may likewise not recognize you as a stockholder of record.

Validation of proxies will take place on July 23, 2021.

Pursuant to SEC Notice dated April 20, 2020, 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, July 2, 2021.

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, Roberto V. San Jose, will certify that the Company timely and duly published the Notice pursuant to the rules of the Securities and Exchange Commission, and made the Information Statement 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 June 27, 2019 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, 2019. The audited financial statements were prepared by the Company's independent auditors, Punongbayan & Araullo, a member firm of Grant Thornton International, Ltd., and approved by the Company's Audit and Governance Committee and the Board of Directors. In compliance with regulatory requirements, the audited financial statements have also been submitted to the Securities and Exchange Commission and Bureau of Internal Revenue.

Questions will be entertained from the stockholders after the presentation.

The stockholders will be requested to approve the annual report of management as presented by the President, and the audited financial statements for the year ended December 31, 2019. 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, 2019 be, as it is hereby, approved."*

5. Ratification of previous corporate acts

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

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

6. Election of directors

It is proposed to elect the following members of the Board of Directors. The biographical profiles of the Director-Nominees are provided in pages 5-6 of 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. Maria G. Goolsby
9. Rafael F. Simpao, Jr.

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 2020-2021. The audit partner-in-charge for audit year 2020 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, reappointed as the Company's external auditor for the current year 2020-2021."*

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 shall entertain a motion to adjourn the meeting.

SOLID GROUP INC.

ANNUAL STOCKHOLDERS' MEETING
July 29, 2021

P R O X Y   F O R M

Please fill up and sign the proxy and submit it to the Office of the Corporate Secretary on or before July 19, 2021.

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

____

(*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, July 29, 2021, and at any postponement and/or adjournment thereof for the purposes 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. Management report and audited financial statements for the year ended December 31, 2020			
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:			
Maria G. Goolsby			
Rafael F. Simpao Jr.			
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, July 29, 2021, 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: **July 29, 2021 at 2:00 p.m. by video conference.**

8. Approximate date on which the Information Statement is first to be sent or given to security holders **July 7, 2021**

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

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

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 **July 29, 2021** 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://zoom.us/j/98568264710?pwd=VG5MN3FFbzZJclY2a210RWp2M05DQT09

The password to attend the meeting shall be provided by the Company to all stockholders of record as of June 30, 2021 or their proxies who have successfully registered to attend the meeting.

Only stockholders of record as of June 30, 2021 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 July 19, 2021.

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

The approximate date when the information statement will be first sent to security holders will be on July 7, 2021.

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 of any 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 (Section 80(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 thevote was taken, for the payment of the fair market value of his shares. Upon payment, he must surrender his certificates of stock. No payment shall be made to any dissenting stockholder unless the Company has unrestricted retained earnings in its books to cover such payment.

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

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

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

B. CONTROL AND COMPENSATION INFORMATION

Voting Securities and Principal Holders

The record date to determine the stockholders entitled to notice and to vote at the meeting is on June 30, 2021.

As of record date June 30, 2021, 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 for director 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 of the record date for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit. The total number of votes cast by such stockholder should not exceed the number of shares owned by him as shown in the books of the corporation multiplied by the whole numberof directors to be elected.

Equity Ownership of Foreigners

As of record date June 30, 2021, foreigners collectively own 17,098,599 outstanding common shares which constitutes 0.94% of the total outstanding common shares.

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

Owners of more than 5% of the Company's voting securities as of June 30, 2021 were as follows.

(1) Titleof Class	(2) Name and address ofrecord owner and relationship with issuer	(3)Name of Beneficial Owner and Relationshi pwith Record Owner	(4)Citizenshi p	(5)No. of SharesHeld record (r) or beneficial (b)	(6) % to Total Outsta nding
Common	AA Commercial, Inc. [1] 2285 Pasong Tamo Ext.Makati Affiliate	Vincent S. Lim Treasurer of AA Commercial Inc.	Filipino	583,377,817 (r) [1]	32.03
Common	AV Value Holdings Corporation 1000 J. Bocobo St., Ermita,Manila Affiliate	David S. Lim Director of AVValue 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 stockholder sNone	Filipino	454,470,524 (r) [3]	24.95

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 June 30, 2021.

(1) Title ofClass	(2) Name of Beneficial Owner	(3) Amount and Natureof Beneficial Ownership	(4) Citizenship	(5) % to Total Outstanding
Common	Tan, Susan L.	78,645 (direct)	Filipino	-
Common	Jonathan Joseph C. C. Lim	11,000,000 (direct)	Filipino	0.60
Common	Lim, Vincent S.	71,887,187 (direct) 583,377,817 (indirect) [1] 5,996,000 (indirect) [3]	Filipino	3.95 32.03 0.33
Common	Lim, Jason S.	65,176,160 (direct)	Filipino	3.58
Common	Tan, Kevin Michael L.	11,000,000 (direct)	Filipino	0.60
Common	Chua, Quintin	5,000 (direct)	Australian	-
Common	Maria G. Goolsby	10,000 (direct)	Filipino	-
Common	Lim, Elena S.	1,894 (direct)	Filipino	-
Common	Lim, Joseph	2 (direct)	Filipino 0	-
Common	Beda T. Manalac	1,001 (direct)	Filipino	-
Common	Lim, David S.	79,488,591 (direct) 5,000,000 (indirect)[3] 499,999,999 (indirect) [2]	Filipino	4.36 0.27 27.45
Common	San Jose, Roberto V.	242,000 (direct)	Filipino	0.01
Common	Katigbak, Ana Maria	-	Filipino	-
Common	Joaquin, Lita	7,030,000 (direct)	Filipino	0.39
Common	Corpuz, Mellina T.	-	Filipino	-
Common	Christopher James L. Tan	18,462,000 (direct)	Filipino	1.01
Common	Santiago, Josephine T.	7,000 (direct)	Filipino	-
Common	Salvador, Ericson B.	-	Filipino	-

*The aggregate amount of ownership of all directors and officers as a group unnamed is 1,358,763,296 shares or 74.59% of the total issued and outstanding shares.

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

2. AV Value Holdings Corporation is owned by the Lim Family. Mr. David S. Lim is authorized to vote the shares of stock registered in the name of AV Value Holdings Corporation. Mr. David S. Lim is 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	90	Filipino
Co-Chairman Emeritus	Joseph Lim	93	Filipino
Chairman of the Board	Jason S. Lim	63	Filipino
Director, President and Chief Executive Officer	Susan L. Tan	66	Filipino
Director, Executive Vice President & Chief Strategy Officer	David S. Lim	64	Filipino
Director, SVP and Chief Financial Officer and Chief Risk Officer	Vincent S. Lim	62	Filipino
Independent Director	Quintin Chua	61	Australian
Independent Director	Maria G. Goolsby	81	Filipino
Director and SVP for Business Development and Distribution Business	Beda T. Manalac	59	Filipino
Director and VP for Property Business and Data Protection Officer	Jonathan Joseph C.C. Lim	35	Filipino
Director and VP for Digital Mobile Business	Kevin Michael L. Tan	38	Filipino
VP for New Investments	Christopher James L. Tan	37	Filipino
SVP and Treasurer	Lita Joaquin	61	Filipino
Corporate Secretary	Roberto V. San Jose	78	Filipino
Assistant Corporate Secretary	Ana Maria Katigbak-Lim	52	Filipino
SVP and Chief Accounting Officer	Mellina T. Corpuz	54	Filipino

AVP and Chief Information Officer	Josephine T. Santiago	53	Filipino
AVP and Chief Audit Executive	Ericson B. Salvador	50	Filipino

Ms. Elena S. Lim has been 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 was elected Co-Chairman Emeritus in 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 has been Chairman of the Board since 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 has been 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 was elected 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 has been Sr. Vice President and Chief Financial Officer since September 2010 and Chief Risk Officer since 2017. He was Sr. Vice President for Finance and Investments from June 2006 to 2010. He was formerly Sr. VP and Chief Financial Officer from May 2002 up to 2006. He is a Director since 1996. He is Treasurer for MyApp Corporation, Omni Solid Services, Inc., SolidService Electronics Corporation, Kita Corporation , Solid Video Corporation, Solid Manila Corporation, Green Sun Hotel Management, Inc., MySolid Technologies and Devices Corporation, SolidGroup Technologies Corporation, Zen Towers Corporation, Casa Bocobo Hotel, Inc., Precos, Inc., Solid Manila Finance Inc., Solid Broadband Corporation, Interstar Holdings Company., 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.

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

Mr. Quintin Chua has been Independent Director since March 25, 2003. He is the Chairman and Managing Director of QC Investments Pty. Ltd, Chairman and President of Nature's Harvest Corp. and Director of Hexagon Financing Corp.

Mr. Beda T. Mañalac has been Director since June 2010 and was elected 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 has been Director since June 2017 and was elected Vice President for Property Business in September 2020. He was appointed 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 for Business Development 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.

Kevin Michael L. Tan has been Director since June 2019 and was elected 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.

Christopher James L. Tan was elected 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 has been the Treasurer since May 2002. 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.

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 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 clientsof the law firm of Castillo Laman Tan Pantaleon & San Jose, of which he is presently a Senior Consultant. He is a member of the Integrated Bar of the Philippines.

Ana Maria A. Katigbak is the Assistant Corporate Secretary of the Company and has held the office since 1997. She is a partner in Castillo, Laman, Tan, Pantaleon & San Jose Law Offices. She also acts as director of Mabuhay Holdings Corporation, Corporate Secretary of IPM Holdings Inc. and Alsons Consolidated Resources, Inc., and Assistant Corporate Secretary of Energy Development Corporation, Philippine Infradev Holding, 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 has been the Chief Accounting Officer since June 2006. Prior to that, she was the Senior Accounting Manager since 2002 and was the Accounting Manager since 1996.

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

Ericson B. Salvador has been the 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.

Nominees for Election

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

Position	Name	Age	Citizenship
Director	Susan L. Tan	66	Filipino
Director	Kevin Michael L. Tan	38	Filipino

Director	Jonathan Joseph CC. Lim	35	Filipino
Director	Jason S. Lim	63	Filipino
Director	Vincent S. Lim	61	Filipino
Independent Director	Rafael F. Simpao Jr.	77	Filipino
Independent Director	Maria G. Goolsby	81	Filipino
Director	David S. Lim	64	Filipino
Director	Beda T. Mañalac	59	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) Maria G. Goolsby; (g) Beda T. Mañalac; and (h) Kevin Michael L. Tan.

Independent Directors - Nominees

Mr. Rafael F. Simpao Jr. 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. Mr. Simpao is not related to any director or officer of the Corporation.

Mr. Simpao is currently a Senior Advisor to the Board & Executive Committee of Security Bank Corporation, Chairman of Security Bank Foundation, Inc., Chairman of Keyland-Ayala Corporation, a Trustee of Tany Foundation, Inc. and a Director of Empire Insurance, Inc.

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

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. Maria G. Goolsby (Chairman)
2. Susan L. Tan (Vice Chairman);
3. David S. Lim
4. Beda T. Maῆalac
5. Quintin Chua (Independent Director)
6. Mellina T. Corpuz (non-voting)

The Nomination Committee pre-screened and accepted the nominations of Mr. Simpao and Ms. Goolsby 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. Ms. Goolsby was nominated by Mrs. Elena S. Lim. Mr. Simpao and Mr. Vincent Lim are not related to each other. Ms. Goolsby and Mrs. 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 Ms. Maria G. Goolsby 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 is the son of Susan L. Tan. Ms. Lita Joaquin, treasurer of the Company, is the niece of Mr. Joseph Lim. Other than the ones disclosed, there are no other family relationships known to the Company.

Significant Employees

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

Involvement in Certain Legal Proceedings

Ms. Elena S. Lim is included as co-defendant in a case filed by a certain bank against AA Export and Import Corporation for the collection of unsecured business loans granted to that company. In another collection case filed by another bank against AA Export and Import Corporation, Ms. Elena S. Lim, Mr. Joseph Lim, Ms. Susan L. Tan, Mr. David S. Lim, Mr. Jason Lim and Mr. Vincent S. Lim are impleaded as co-defendants. The second cased was dismissed by the court on February 24, 2014. Except by above, none of the directors and officers was involved in the past five years up to June 2020 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

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

1. Solid Corporation owns a parcel of land in Bgys. Talipapa and Pamaldan, Cabanatuan City, Nueva Ecija with an area of 1,914,180 square meters. This property is the subject of a case filed by Solid Corporation on October 17, 1995 with the Department of Agrarian Reform Regional Adjudication Board (RARAB) to declare the emancipation patents issued to several tenant farmers of the said property and any patents that may subsequently be issued covering the same, null and void on the ground that the requirements of Presidential Decree No. 27 have not been complied with. The portion of the property that may be subject to litigation consists of 47,211 square meters. On February 6, 1997, the case was submitted for resolution. On June 26, 1997, the RARAB ordered the processing of the Certificate of Land Transfer for issuance to the tenants. On July 31, 1997, Solid Corporation appealed the RARAB decision to the DAR's Central Adjudication Board (DARAB). The appeal was resolved adverse to SolidCorporation 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 AgrarianReform 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 2021.

2. MySolid Technologies and Devices Corporation (MySolid) and Solid Video Corporation (SVC) have outstanding tax cases with the Bureau of Internal Revenue (BIR) for various deficiency taxes. These cases are pending with Court of Tax Appeals (CTA). Management believes that MySolid and SVC have enough evidence to support their claims and that the outcome of such tax assessments will not have a material impact on the Company results of operations.

   a. MySolid filed petition for review with the CTA on May 18, 2018 under CTA case no. 9389 of CTA-Third Division for cancellation of deficiency taxes of various internal revenue taxes of P45.7 million for calendar year 2011, which the pre-trial conference was held on November 13, 2018 and presentation of witnesses and presentation of evidence on September 4, 2019. On January 19, 2021, the CTA issued a resolution directing both parties to file their memorandum within 30 days.

   b. MySolid has an outstanding tax case filed with the CTA under CTA No. 8854 of

CTA-First Division for deficiency taxes on VAT for calendar year 2012 (1st and 2nd quarters) of P65.9 million. On August 4, 2017, the CTA ordered Commisioner of Internal Revenue (CIR) to cancel MySolid's deficiency VAT assessment. On August 11, 2017, the CIR filed a motion for reconsideration which was denied by the CTA on January 4, 2018 for lack of merit. On February 6, 2018, MySolid received a copy of the CIR's petition for review with the CTA En Banc. On July 27, 2018, MySolid filed its memorandum relating to the matter with the CTA En Banc. The CTA En Banc denied the petition for review due to lack of merit, for which the CIR filed a motion for reconsideration on September 5, 2019. The CTA En Banc denied CIR's motion for reconsideration on February 11, 2020. On July 6, 2020, MySolid received copy of CIR's petition for review 0n Certiorari with the Supreme Court (SC) where CIR prayed for reversal of CTA En Banc's decision and resolution. On August 26, 2020, the SC issued a resolution denying CIR's petition for review for failure to sufficiently show any reversible error in the assailed judgment to warrant the exercise of the court's discretionary appellate jurisdiction. As of February 2021, our legal counsel expects a favorable judgment from the SC.

c. MySolid filed petition for review with the Court of Tax Appeals (CTA) on March 19, 2018 under CTA case no. 9786 of CTA-Third Division for cancellation of deficiency taxes of various internal revenue taxes of P10 million for calendar year 2010. On September 23, 2020, the CTA granted the petition of MySolid and ordered CIR to cancel the deficiency tax assesments. It held that the assessments were null and void because the revenue officers were not named in the letter of authority. On October 26, 2020, the CIR filed a motion for reconsideration to the CTA. Pursuant to the court's resolution, MySolid filed its comment to the CIR's motion for reconsideration on December 17, 2020. As February 2021, the case is still pending.

d. MySolid filed its petition for review with the CTA on June 30, 2020 under CTA Case No. 10293 of the CTA Third Division for the cancellation and withdrawal of the BIR's deficiency VAT assessment of P23.5 million for July 1, 2017 to December 31, 2017. On November 26, 2020, the CIR filed its answer to the petition for review. As of February 2021, the CTA scheduled the pre-trial conference in April 2021.

e. SVC filed petition for review on May 15, 2015 with CTA case no. 9051 to CTA-Third Division for deficiency income tax and VAT for calendar year 2010 of P23 million. Trial ensued and the case was submitted to CTA for decision on November 8, 2017. On October 25, 2018, the CTA decided and cancelled portion of deficiency tax assessments. On November 23, 2018, SVC filed a motion for partial reconsideration, where the CTA further reduced the deficiency assessment on its May 2, 2019 amended decision. On May 24, 2019, SVC filed a motion for partial reconsideration of the amended decisionwhich was denied by CTA resolution dated November 14, 2019. On December 23, 2019, SVC filed petition for review with CTA En Banc to appeal both CTA amended decision on May 2, 2019 and resolution dated November 14, 2019 under CTA EB no. 2195. On January 7, 2019, SVC received BIR's petition for review under CTA EB no. 2207 for reversal and setting aside of CTA's decision dated October 25, 2018, amended decision dated May 2, 2019 and resolution dated November 14, 2019. On June 4, 2020, the CTA En Banc referred the case to mediation. The CIR agreed to settle the case at P1.5 million. As of February

2021, the parties are currently finalizing the execution of the Compromise Agreement of this case.

The Company believes that the outcome of these cases, individually or taken as a whole, will 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 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 2020 and 2019) and Solid Service Electronics Corporation (in 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 2020, 2019 and 2018. The loan matured on January 18, 2020 and was renewed on the same date, repayable untilJanuary 18, 2025, its maturity date.

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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 and the related outstanding receivables are recorded as part of Trade and Other Receivables. Income from leases is reported as Rentals. 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.

Advances to and from Related Parties

In the normal course of business, certain subsidiaries of the Company grants and obtains unsecured, non-interest bearing cash advances to and from related parties under common ownership for working capital requirements and other purposes.

In 2020, the Parent Company made deposit in the shares of Fekon Solid Motorcycle Mfg. Corp. (Fekon), a related party under common ownership, of P18.2 million in relation to the planned increase in authorized capital stock of the latter. Since Fekon is yet to apply for the planned increase in authorized capital stock to the Commission as of December 31, 2020, these are presented under advances to related parties.

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 2020, the Group recognized impairment loss from the advances amounting to P5.7 million

Other than the foregoing, there were no transactions during the past two fiscal years to which the Company was a party, in which a director, executive officer, nominee for director, stockholder owning more than 10% of the outstanding shares of the Company had a direct interest.

2. The Company has no transactions involving related parties where the service fees or rates are fixed by law or government authority, nor acts as bank depository of funds, transfer agent, registrar or trustee under a trust indenture nor has any other interest except for those arising from the ownership of securities of the registrant recorded as treasury shares nor received extra or special benefit that was not shared equally by all holders of the registrant.

3. The Company has no parent company holding or controlling more than 50% of its outstanding capital stock. However, AA Commercial Inc. and AV Value Holdings Corporation separately own and control 32.03% and 27.45%, respectively, of the Company's outstanding shares.

4. There are no transactions with promoters or assets acquired by the Company from any promoters.

Resignation of Directors

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

Compensation of Directors and Executive Officer

(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 P30,000, net of tax 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 Joaquin	VP and Treasurer			
	2021 (Est.)	20,000,000	4,000,000	1,700,000
	2020	18,452,166	3,257,172	1,328,560
	2019	17,820,000	3,156,456	1,614,061
All officers and directors as a group unnamed	2021 (Est.)	15,000,000	2,500,000	1,900,000
	2020	13,616,709	2,122,138	1,624,126
	2019	11,376,000	1,781,855	1,741,384

(3) Compensation of Directors

Please see executive and directors' compensation.

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 the following:

1. Maria G. Goolsby (Chairman)
2. Susan L. Tan (Vice Chairman)
3. David S. Lim
4. Beda T. Maŋ̃alac
5. Quintin Chua (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 2020 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. Quintin Chua
Vice Chairman:	Vincent S. Lim
Members:	Susan L. Tan
	Jonathan Joseph C.C. Lim
	Maria G. Goolsby (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, 2020.

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 2021 ended March 31, 2021. The Company's SEC Form 17-Q contains the Company's financial statements for the first quarter of 2021 ended March 31, 2021.

D. OTHER MATTERS

Action with Respect to Reports:

The 2020 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 September 24, 2020 constitutes a ratification of the accuracy and faithfulness of the Minutes to the events which transpired during the meeting which includes the following: (i) approval of minutes of the previous meeting; (ii) approval of the 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 already been approved.

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

Voting Procedure:

Stockholders as of record date on June 30, 2021 who successfully register for the meeting have the opportunity to cast their votes by the submission of proxies not later than July 19, 2021. 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 July 2, 2021.

Solid Group Inc.

By:

Ana Maria A. Katigbak
Asst. Corporate Secretary

Exhibit 1

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 JUN 08 2021 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 JUN 08 2021, by the affiant, whose identity I have confirmed through her Passport No. P1893381A, issued on February 7, 2017 at DFA-Manila bearing the affiant's photograph and signature.

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Page No. 10;
Book No. XVII;
Series of 2021.

DAISY MARGARET V. DUCEPEC NOTARY PUBLIC ROLL NO. 70138 MAKATI CITY, PHILIPPINES

DAISY MARGARET V. DUCEPEC
Appointment No. M-29
Notary Public for Makati City
Until June 30, 2021
Castillo Laman Tan Pantaleon
& San Jose Law Firm
The Valero Tower, 122 Valero Street
Salcedo Village, Makati City
PTR No. 8533738; 01-04-2021; Makati City
IBP No. 141737; 01-04-2021; Makati Chapter
Roll No. 70138

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.'s 2021 Annual Stockholders' Meeting** and have been its independent director since NOT APPLICABLE (where applicable).

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 July 6 2021 at Makati City.

Rafael F. Simpao, Jr.
Independent Director

SUBSCRIBED AND SWORN to before me this 06 JUL 2021 2021 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.

ATTY. RAYMOND A. RAMOS
COMMISSION NO. M-239
NOTARY PUBLIC FOR MAKATI CITY
UNTIL DECEMBER 31, 2021 per B.M. No. 3795
11 KALAYAAN AVENUE EXTENSION,
BARANGAY WEST REMBO, MAKATI CITY
SC Roll No. 62179/04-26-2013
IBP NO. 137312/01-04-2021/Pasig City
PTR NO. MKT 8531022/01-04-2021/Makati City
MCLE Compliance No. VI-0007878/04-06-2018

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Page No. 8 :
Book No. 177 :
Series of 2021

Exhibit 2

Summary of Acts for Ratification

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

- Election 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.
- 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 date of 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.

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 September 24, 2020

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 September 24, 2020

c. The matters discussed and resolutions reached

See attached Minutes of the Annual Stockholders' Meeting held on September 24, 2020

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

See attached Minutes of the Annual Stockholders' Meeting held on September 24, 2020

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 June 30, 2021, 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 in the 2020 I-ACGR submitted to the SEC on May 25, 2021 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: **2020**

	Complied	Not Complied
1. The Board should 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 best interests of its stockholders and other stakeholders.	√	
2. The Board should formulate the Corporation's vision, mission, strategic objectives, policies and procedures that shall guide its activities, including the means to effectively monitor Management's performance.	√	
3. The Board should implement a process for the selection of directors who can add value and contribute independent judgment to the formulation of sound corporate strategies and policies.	√	

4. The Board should appoint competent, professional, honest and highly-motivated management officers.	√	
5. The Board should adopt an effective succession planning program for Management.		√
6. The Board should provide sound strategic policies and guidelines to the Corporation on major capital expenditures.	√	
7. The Board should periodically evaluate and monitor the implementation of such policies and strategies, including the business plans, operating budgets and Management's overall performance.	√	
8. The Board should ensure the Corporation's faithful compliance with all applicable laws, regulations and best business practices.	√	
9. The Board should establish and maintain an investor relations program that will keep the stockholders informed of important developments in the Corporation.	√	
10. The Board should identify the stakeholders in the community in which the Corporation operates or are directly affected by its operations and formulate a clear policy of accurate, timely and effective communication with them.	√	
11. The Board should establish clear policies and programs to provide a mechanism on the fair treatment and protection of stakeholders, and adopt a transparent framework and process that allow stakeholders to communicate with the Corporation and to obtain redress for the violation of their rights.	√	
	Complied	**Not Complied**
12. The Board should adopt a system of check and balance within the Board. A regular review of the effectiveness of such system should be conducted to ensure the integrity of the decision-making and reporting processes at all times. There should be a continuing review of the Corporation's internal control system in order to maintain its adequacy and effectiveness.	√	
13. The Board should Identify key risk areas and performance indicators and monitor these factors with due diligence to enable the Corporation to anticipate and prepare for possible threats to its operational and financial viability.	√	
14. The Board should formulate and implement policies and procedures that would ensure the integrity and transparency of related party transactions between and among the Corporation and its parent company,		

joint venture, subsidiaries, associates, affiliates, major stockholders, officers and directors, including their spouses, children and dependent siblings and parents, and of interlocking director relationships by members of the Board.	√	
15. The Board should constitute an Audit Committee and such other committees it deems necessary to assist the Board in the performance of its duties and responsibilities.	√	
16. The Board should establish and maintain an alternative dispute resolution system in the Corporation that can amicably settle conflicts or differences between the Corporation and its stockholders, and the Corporation and third parties, including the regulatory authorities.	√	
17. The Board should meet at such times or frequency as may be needed. The minutes of such meetings should be duly recorded. Independent views during Board meetings should be encouraged and given due consideration.	√	
18.The Board should keep the activities and decisions of the Board within its authority under the articles of incorporation and by-laws, and in accordance with existing laws, rules and regulations.	√	
19. The Board should appoint a Compliance Officer who shall have the rank of at least senior vice president or any other equivalent position. The Compliance Officer should be a separate individual from the Corporate Secretary.	√	
20. The Board should establish policies, programs and procedures that encourage employees to actively participate in the realization of the Corporation's goals and in its governance.	√	
	Complied	**Not Complied**
21. The Board should set the tone and make a stand against corrupt practices by adopting an anti-corruption policy and program in its Code of Conduct. Further, the Board should disseminate the policy and program to employees across the organization through trainings to embed them in the Corporation's culture.	√	
22. The Board should establish a suitable framework for whistleblowing that allows employees to freely communicate their concerns about illegal or unethical practices, without fear of retaliation and to have direct access to an independent member of the Board or a	√	

unit created to handle whistleblowing concerns. The Board should be conscientious in establishing the framework, as well as in supervising and ensuring its enforcement.		

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

Directors' disclosures on self-dealings are disclosed to the SEC by submission of SEC Form 23-A Initial Statement of Beneficial Ownership of Securities and SEC Form 23-B 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 information statement.

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

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

Held on September 24, 2020 at 2:00 P.M. at Makati City
By remote communication[1]

The 2020 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/91995264463?pwd=T3owbEZlNWpyem5JWnNJcmd6Y3JLZz09

Prior to the start of the meeting proper, videos of the Philippine National Anthem and Invocation were shown, after which it was announced by the host, Mr. Beda T. Manalac, 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 due to the COVID-19 pandemic, the Annual Stockholders' Meeting was being conducted via remote communication for the first time in the Company's history. He thanked all those joining the live webcast and those who participated in the meeting by remote communication, by voting *in absentia* or appointing the Chairman or the President as proxy.

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

Founding Chairman	- Joseph Lim
Chairman Emeritus	- Elena S. Lim
Chairman	- Jason S. Lim

[1] https://zoom.us/j/91995264463?pwd=T3owbEZlNWpyem5JWnNJcmd6Y3JLZz09

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

PROOF OF NOTICE AND CERTIFICATION OF QUORUM

The Assistant Corporate Secretary, Ana Maria A. Katigbak, with the permission of the Corporate Secretary, Atty. Roberto V. San Jose, reported that pursuant to SEC Notice dated 20 April 2020, 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 *in absentia* or by proxy or by participating remotely in this 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 **1,422,329,296** shares representing at least **70.03%** of the outstanding capital stock of thee Company. Therefore, there was a quorum for the transaction of business.

The Chairman then said that while the Company was holding the meeting virtually, the Company 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. In this regard, 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 shall be 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 may cumulate his/her votes.

Stockholders who successfully registered for the meeting were given the opportunity to cast their votes by voting *in absentia* or by proxy until September 14, 2020. 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 would 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 ballots or by 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 the Zoom portal. Stockholders participating in the meeting could also raise questions through the Company's email address flashed onthe screen during the meeting. 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 June 27, 2019, an electronic copyof 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 June 27, 2019:

> "**RESOLVED**, that the minutes of the Annual Stockholders' Meeting of the Corporation held on June 27, 2019 be, as it is hereby, approved."

Thereafter, the Assistant Corporate Secretary announced that stockholders owning at least **1,422,329,296** shares representing at least **70.03**% of the outstanding capital stock approved 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 motion.

MANAGEMENT REPORT AND AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

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, gave the report on the Company's operational highlights and financial results, and the consolidated audited financial statements for the year ended 31 December 2019.

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 31 December 2019:

> "**RESOLVED**, that the Management Report as presented by the President and the Corporation's audited financial statements for year ended December 31, 2019 be, as they are hereby, approved."

Thereafter, the Assistant Corporate Secretary announced that stockholders owning at least at least **1,422,329,296** shares representing at least **70.03**% of the outstanding capital stock voted in favor of approving 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 motion.

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 include the following:

- Election of corporate officers.
- Reorganization of the Board Committees (Audit Committee; Corporate Governance, Compensation and Nomination Committee; Risk Management and Related Party Transactions Committee).
- Approval of the Related Party Transactions Committee Charter and the Amended (a) Related Party Transactions Policy, (b) Corporate Governance & Nominations Committee Charter (c) Risk Management Committee Charter, (d) Internal Audit Charter, (e) Enterprise Risk Management Charter, (f) Audit Committee Charter, (g) Insider Trading Policy, (h) Policy and Data Relating to Health, Safety and Welfare of Employees, (i) Remuneration Committee Charter, (j) Conflict of Interest Policy.
- Presentation and approval of the quarterly financial reports.
- Presentation and approval of the audited financial statements.
- Declaration of cash dividends.
- Declaration of stock dividends by subsidiary Solid Manila Corporation
  (SMC), a wholly-owned subsidiary, of three million (3,000,000) shares, with a par value of Php100.00 per share, to be taken out of the unrestricted retained earnings of SMC as of year ended December 31, 2018. The said shares will be issued from the increase in the authorized capital stock of SMC;
- Subscription to two million four hundred thousand (2,400,000) shares, with a par value of Php100.00 per share, of the capital stock of Zen Towers Corporation (ZTC), a wholly owned subsidiary. Out of the said subscription, the amount of Php140,000,000.00 will be paid in cash. The said shares will be issued from the increase in theauthorized capital stock of ZTC;

- Subscription to one million one hundred seventy five thousand (1,175,000) shares, with a par value of Php100.00 per share, of the capital stock of MyApp Corporation (MyApp), a wholly owned subsidiary. Out of the said subscription, the amount of Php29,375,000.00 will be paid in cash. The said shares will be issued from the increase in the authorized capital stock of MyApp;
- Incorporation of a new company in partnership with Guangzhou Fekon Motorcycle Co., Ltd., from Guangzhou City, China. The company will have an initial investment of Php130,000,000.00 with SGI owning 44%. The new company will engage in the production, retail and financing of motorcycles;
- Postponement and resetting of date of Annual Stockholders' Meeting; and
- Presentation and approval of the 2019 Annual Corporate Governance Report.

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 the 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 **1,422,329,296** shares representing at least **70.03%** of the outstanding capital stock voted in favor of the resolution, while zeroshares voted against, and zero shares abstained on the motion. It was noted that the affirmative votes were sufficient to approve the motion.

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 noted 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 2020-2021.

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

<u>For Regular Directors:</u>

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. QUINTIN CHUA
9. MARIA G. GOOLSBY

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 **1,422,329,296** shares representing at least **70.03**% 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 Boardof Directors of the Company for the term 2020-2021 to act as such until their successors are duly elected and qualified.

The Chairman welcomed back to the Board of Directors, Mr. David S. Lim, who had been focusing his attention on the digital mobile and modular housing businesses and was rejoining the Board to enhance the Company's overall strategies and business direction.

The Chairman also expressed the Company's deepest appreciation and gratitude to its founders, Ms. Elena S. Lim and Mr. Joseph Lim, who will continue to serve the Company and its shareholders as the ChairmanEmeritus and co-Chairman Emeritus.

APPOINTMENT OF EXTERNAL AUDITOR

The next item was the appointment of the Company's external auditor. The Chairman of the Audit Committee, Independent Director Quintin Chua, informed the stockholders that the Audit and Governance Committee reviewed the qualifications and performance of t Company's he 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, reappointing 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 2020- 2021."

Thereafter, she announced that that stockholders owning at least **1,422,329,296** shares representing at least **70.03**% of the outstanding capital stock, voted in favor of approving 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 motion.

OTHER MATTERS

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

The Assistant Corporate Secretary replied that no questions or comments were received by email through the Zoom portal prior to and during the meeting.

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	**1,422,329,296**	**70.03%**	**0**	0
Item 4. Approval of the Management Report and Audited Financial Statements for the year ended December 31, 2019	**1,422,329,296**	**70.03%**	**0**	0
Item 5. Ratification of Previous Corporate Acts	**1,422,329,296**	**70.03%**	**0**	0
Item 6. Election of Directors	Votes per nominee shown below			
For Regular Director:	Votes per nominee shown below			
JASON S. LIM	**1,422,329,296**	**70.03%**	**0**	0
SUSAN L. TAN	**1,422,329,296**	**70.03%**	**0**	0
VINCENT S. LIM	**1,422,329,296**	**70.03%**	**0**	0
DAVID S. LIM	**1,422,329,296**	**70.03%**	**0**	0
BEDA T. MAŇALAC	**1,422,329,296**	**70.03%**	**0**	0

JONATHAN JOSEPH C.C. LIM	**1,422,329,296**	**70.03**%	**0**	0
KEVIN MICHAEL L. TAN	**1,422,329,296**	**70.03**%	**0**	0
For Independent Director:	Votes per nominee shown below			
QUINTIN CHUA	**1,422,329,296**	**70.03**%	**0**	0
MARIA G. GOOLSBY	**1,422,329,296**	**70.03**%	**0**	0
Item 9. Approval of appointment of Punongbayan &Araullo as the Company's external auditor	**1,422,329,296**	**70.03**%	0	0
Item 10. Adjournment				

* Percentage is based on total outstanding voting shares of SGI at 2,030,975,000 common shares

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **Maria G. Goolsby**, Filipino, of legal age and a resident of Makati 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 June 2015.

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

Company/Organization	Position/Relationship	Period of Service
Union Bank of the Philippines	Executive Director, Corporate Philanthropy and Social Responsibility	2003 to 2014
Union Bank of the Philippines	Special Assistant to the Chairman/CEO	1993 to 2014
Union Bank of the Philippines	Senior Vice President, Head of Human Resource and Administration Group	1993 to 2003

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 JUN 07 2021 2021 at Makati City.

MARIA G. GOOLSBY
Independent Director

SUBSCRIBED AND SWORN to before me this JUN 07 2021 2021 at Makati City, affiant personally appeared before me and exhibited to me her SSS ID No. 03-1027019-3.

Doc. No. 118 ;
Page No. 25 ;
Book No. 120 ;
Series of 2021

ATTY. GEORGE DAVID D. SITON
NOTARY PUBLIC FOR MAKATI CITY
APPT. NO. M-392 UNTIL DEC. 31, 2021
ROLL NO. 68402/ MCLE COMPLIANCE NO. VI-0021936/3-29-2019
IBP O.R No.2275859-LIFETIME MEMBER MAY. 8, 2017
PTR No.8533058- JAN 04, 2021- MAKATI CITY
EXECUTIVE BLDG. CENTER MAKATI AVE., COR., JUPITER ST. MAKATI CITY

SOLID GROUP INC.

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

For the 2021 Annual Stockholders' Meeting

A. Audited Financial Statements for Fiscal Year Ended December 31, 2020

Please refer to the accompanying audited financial statements for year ended December 31, 2020 and first quarter report on SEC Form 17Q for the quarter ended March 31, 2021 (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 September 24, 2020, the Company reappointed Punongbayan and Araullo as its external auditors for the year 2020.

There was no change in our existing auditor for the years 2019 and 2020. The Company is in compliance with the Code of Corporate Governance and SEC Memorandum Circular No. 2, series of 2002 requiring the rotation every five (5) years of the audit partner-in-charge of the external auditor.

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

Full Fiscal Years

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

(1) Plan of Operation

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

(2) Management's Discussion and Analysis

a. Full Fiscal Years

Key Performance Indicators

The following key performance indicators were identified by the Company: revenue growth, asset turnover, operating expense ratio, earnings before interest, taxes, depreciation and amortization (EBITDA), earnings per share, current ratio and debt to equity ratio.

Revenue growth was determined as follows: revenues for the current year less revenues for last year or change in revenues divided by the revenues of the previous year.

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

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

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

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

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

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

Key performance indicators for 2020, 2019 and 2018 are as follows:

	December 31, 2020	December 31, 2019	December 31, 2018
Revenue growth (decline)	(56%)	(29%)	(24%)
Asset turnover	10%	22%	32%
Operating expense ratio	32%	21%	21%
EBITDA	P452 million	P622 million	P432 million
Earnings (loss) / share	P0.12	P0.12	P0.14
Current ratio	13.15: 1	10.56 : 1	9.82 : 1
Debt to equity ratio	0.13: 1	0.14 : 1	0.13 : 1

2020

Revenue fell by 56% in 2020 vs. 29% 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 10% 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 32% in 2020 from 21% in 2019 principally due to lower revenues mentioned above.

EBITDA declined to P452 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 13.15:1 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 P2,665 in 2019, lower by 29% from P3,755 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 to 21% in both 2019 and 2018. There was no 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.

2018

Revenues of P3,755 million weakened by 24% in 2018 from P4,942 million in 2017 from lower revenues of the digital mobile and technical support and solutions segments.

Asset turnover stood lower at 32% in 2018 from 43% in 2017 driven by lower revenues of the digital mobile segment.

Operating expense ratio was higher at 21% in 2018 from 14% in 2017 principally due to lower revenues of the digital mobile segment.

EBITDA was P432 million in 2018 against P650 million in 2017 attributed to net loss of the digital mobile segment and lower net income of technical support and solutions segments.

Earnings per share was P0.14 in 2018 from P0.22 in 2017 from lower net income in 2018.

Current ratio improved to 9.82:1 as of December 31, 2018, and 8.40:1 as of December 31, 2017 primarily due to decrease in current liabilities of the property & building services and technical support and solutions segments.

Debt to equity ratio was 0.13:1 as of December 31, 2018 from 0.14: 1 as of December 31, 2017 primarily due to lower liabilities.

Results of Operations 2020

Year-on-year revenues declined by 56% amounting to P1,174 million from P2,665 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 servicessegment.

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 P83 million in 2020, down by 42% from P143 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 P421 million in 2020 from P667 in 2019. The decrease of 37% was mainly due to lower revenues of all business segments as discussed above.

Other operating expenses (income) amounted to P72 million in 2020 from P235 million in 2019 as explained below.

General and administrative expenses went down to P339 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 P41 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 P348 million in 2020 from P431 million for the same period in 2019 mainly associated with lower gross profit mentioned above.

Other income (charges) amounted to P14 million in 2020 against P80 million charges in 2019 mainly from the following:

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

Finance income was down by 49% to P48 million in 2020 as compared with P95 million in 2019 mainly due to weaker interest income from lower yield of investible funds and lower cashsurrender 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 P21 million as of December 31, 2020 from P9 million as of December 31, 2019 principally due to deposits made for future subscription in the motorcycle venture of the Company.

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 P5,568 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.

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 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 P6,735 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 offsetted 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 P2,665 million in 2019, lower by 29% from P3,755 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 P143 million, an increase of 82 % compared with P78 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 P667 million, lower by 5% in 2019 from P699 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 P431 million in 2019 from P261 million in 2018. The higher operating profit was mainly contributed by lower operating expenses as explained above.

Finance income rose by 9% to P95 million in 2019 against P88 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 ofthe 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.

Results of Operations 2018

The Company posted revenues of P3,755 million, a drop of 24% in 2018 against P4,942 million in 2017 due to weaker revenues of the digital mobile and technical support and solutions segments.

Sale of goods only reached P2,715 million in 2018, a decline of 21% from P3,450 million in 2017 mainly due to lower sales volume of sales of digital products of the digital mobile segment.

Rendering of services also dropped by 40% to P712 million in 2018 from P1,192 million in 2017 mainly due to decline in revenues of the technical support and solutions segment. The record sales performance in 2017 of the technical support and solutions segment was delivered from the integration activities in the three ASEAN events (none in 2018).

Rental income improved to P239 million in 2018, higher by 3% from P233 million in 2017 due to higher occupancy of the property and building services segment.

Interest income grew by 76% to P78 million in 2018 from P44 million in 2017 mainly from higher interest rates and investible funds of the investments and other segment.

Sale of real estate amounted to P10 million in 2018, down by 53% from P22 million in 2017 due to lower sale of condominium units.

Cost of sales, services, real estate sold and rentals amounted to P3,056 million in 2018, or a decrease of 23% from P3,977 million in 2017 as discussed below.

Cost of sales amounted to P2,399 million in 2017, down by 19% from P2,970 million in 2017 in relation to decrease in sales of digital mobile segment.

Cost of services amounted to P553 million in 2017 from P915 million for the same period of 2017, lower by 40% mainly due to lower service revenue.

Cost of rentals amounted to P96 million in 2018, an increase of 25% from P77 million in 2017 mainly in relation to higher rental income.

Cost of real estate sold amounted to P6 million in 2018 compared with P14 million in 2017 corresponding to the cost of units sold.

Gross profit declined by 28% to P699 million in 2018 from P965 million in 2017 due to lower revenues. The Company also decided to address its slow-moving inventories and sold Brown mobile phones of digital mobile segment at a loss in the fourth quarter of 2018 when it moved the distribution of the units to its traditional dealership channel.

Other operating expenses (income) amounted to P438 million in 2018 from P474 million in 2017 as explained below.

Selling and distribution costs amounted to P310 million in 2018, or lower by 6% from P330 million in 2017 mainly due to lower commissions of the digital mobile segment.

General and administrative expenses amounted to P466 million in 2018 from P367 million in 2017, principally from loss on unrecoverable advances for the Brown mobile phones of the digital mobile segment.

Other operating income - net went up to P339 million in 2018 from P224 million income in 2017, up by 51% mainly from fair value gains on investment property.

Operating profit amounted to P261 million in 2018 from P491 million in 2017 mainly from operating loss of the digital mobile segment as discussed above and lower operating profit of the technical support & solutions segments.

Finance income stood higher at P88 million in 2018 compared with P65 million in 2017 principally due to higher foreign currency exchange gains and interest earnings.

Finance costs was favorable at P5.98 million in 2018 from P12 million in 2017 primarily due to lower foreign currency exchange losses.

Other gains – net amounted to P6 million in 2018 compared with P17 million in 2017, lower by 62% primarily from refund of deposits of electricity of the property and building services segment in 2017 (none in 2018).

Profit before tax was P350 million in 2018, down by 38% from P561 million in 2017 mainly due to net loss of the digital mobile segment and lower profit of the technical support and solutions segment.

Tax expense of P95 million in 2018 was lower from P157 million in 2017 due to lower pre-tax income.

Net profit of P254 million in 2018 was down by 37% from P403 million in 2017 due to factors as discussed above.

Net profit attributable to equity holders of the parent amounted to P247 million in 2018 versus P397 million in 2017 as discussed above.

Net profit attributable to non-controlling interest amounted to P7.4 million in 2018 compared with P6.5 million in 2017 primarily due to reported income from Starworld.

Financial Position 2018

Cash and cash equivalents posted lower by 30% at P2,455 million as of December 31, 2018 from P3,490 million as of December 31, 2017. Cash was mainly used for operating activities from increase in inventories of the digital mobile segment and increase in short-term investments.

Short-term investments amounted to P806 million as of December 31, 2019 from P60 million as of end of 2017 principally from higher time deposit placements with maturities of more than three months but less than one year.

Trade and other receivables amounted to P891 million as of December 31, 2018 from P1,214 million as of December 31, 2017, lower by 27% mainly from decrease in advances to suppliers 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 amounted to P9.4 million as of December 31, 2018 and P9.2 million as of December 31, 2017. There was no material change for this account.

Merchandise inventories and supplies - net amounted to P764 million as of December 31, 2018 versus P538 million as of December 31, 2017 contributed by higher merchandise inventory for digital products of the digital mobile segment.

Real estate inventories amounted to P436 million as of December 31, 2018 and P440 million as of December 31, 2017. There was no material change for this account.

Other current assets grew to P250 million as of December 31, 2018 compared with P241 million as of December 31, 2017 mainly from higher creditable withholding taxes and input vat.

Total current assets amounted to P5,615 million as of December 31, 2018 from P5,995 million as of December 31, 2017 mainly from lower cash and cash equivalents and receivables as discussed above.

Non-current trade and other receivables reached to P739 million as of December 31, 2018 from P692 million as of December 31, 2017 mainly from increase in cash surrender value of investment in life insurance.

Financial assets at fair value through other comprehensive income amounted to P27.1 million, mainly from the investment in proprietary membership club shares. This account was reclassified from AFS Financial Assets due to adoption of PFRS 9, Financial instruments in 2018.

Property and equipment – net amounted to P1,762 million as of December 31, 2018 from P1,909 million as of December 31, 2017 primarily due to transfer of certain construction in progress to investment property of property & building services segment.

Investment property - net amounted to P3,406 million as of December 31, 2018 from P2,903 million as of December 31, 2017 mainly due to fair value gains and transfer of certain construction in progress from property and equipment to investment property of the property and building services segment.

Post-employment benefit assets stood at P126 million as of December 31, 2018, an increase of 20% from P105 million as of December 31, 2017 primarily a result of lower present value of retirement obligation.

Deferred tax assets (DTA) - net amounted to P156 million as of December 31, 2018 and P110 million as of December 31, 2017, up by 41% principally due to recognition of DTA from NOLCO of digital mobile segment.

Non-current available-for-sale financial assets – net was P20 million as of December 31, 2017, nil in 2018 arising from its reclassification to Financial assets at FVOCI due to adoption of PFRS 9, Financial instruments in 2018.

Other non-current assets amounted to P124 million as of December 31, 2018 or higher by 432% from P23 million as of December 31, 2017 primarily due to deposits on acquisition of land of the property and building services segment.

Total non-current assets amounted to P6,343 million as of December 31, 2018 from P5,766 million as of December 31, 2017 as discussed above.

Total assets reached P11,958 million as of December 31, 2018 from P11,761 million as of December 31, 2017 as discussed above.

Interest-bearing loans amounted to P123 million as of December 31, 2018, or an increase of 7% from P115 million as of December 31, 2017 primarily due to application of unpaid interestexpense to principal loan balances and translation adjustment from devaluation of Philippine peso.

Trade and other payables amounted to P422 million as of December 31, 2018 against P475 million as of December 31, 2017, a decrease of 11% principally due to lower trade payables ofthe technical support & solutions segment.

Customers' deposits amounted to P15 million as of December 31, 2018 compared with P16 million as of December 31, 2017. The decrease was due to refund of deposits.

Advances from related parties amounted to P1.8 million as of December 31, 2018, lower by 50% from P3.7 million as of December 31, 2017 from payment of advances.

Estimated liability for land and land development costs stood at P 68 million as of December 31, 2017, nil in 2018 due to adoption of PFRS 15 effective 2018 that resulted in the derecognition of liability.

Income tax payable of P8 million as of December 31, 2018 versus P33 million as of December 31, 2017 was lower by 75% principally due to lower tax expense.

Total current liabilities stood at P571 million as of December 31, 2018 from P713 million as of December 31, 2017 as a result of derecognition of estimated liability for land and land development.

Non-current refundable deposits amounted to P29 million as of December 31, 2018 from P27 million as of December 31, 2017 from additional customers' deposits.

Postemployment benefit obligation was lower at P26 million as of December 31, 2018 from P37 million as of December 31, 2017 due to lower present value of retirement benefit obligation.

Deferred tax liabilities -net amounted to P783 million as of December 31, 2018 and P697 million as of December 31, 2017. The increase of 12% was mainly attributable to additional fair value gain on investment property for the year.

Total non-current liabilities amounted to P839 million as of December 31, 2018 and P762 million as of December 31, 2017.

Total liabilities amounted to P1,411 million as of December 31, 2018 from P1,475 million as of December 31, 2017.

Capital stock stood at P2,030 million as of December 31, 2018 and December 31, 2017.

Additional paid-in capital amounted to P4,641 million as of December 31, 2018 and December 31, 2017.

Treasury shares amounted to P115 million as of December 31, 2018 and December 31, 2017.

Revaluation reserves amounted to P42 million gain as of December 31, 2018 from P15 million loss as of December 31, 2017 mainly from actuarial gains from remeasurement of post- employment benefit plan, and currency exchange differences on translation of financial statements of foreign operation.

Retained earnings amounted to P3,594 million as of December 31, 2018 from P3,398 million as of December 31, 2017 due to net income for the year offset by dividends declared.

Total equity attributable to Equity holders of Parent amounted to P10,193 million as of December 31, 2018 from P9,939 million as of December 31, 2017 primarily due to higher retained earnings.

Non-controlling interests went up to P353 million as of December 31, 2018 from P345 million as of December 31, 2015. There was no material change for this account.

Total equity amounted to P10,547 million as of December 31, 2018 from P10,285 million as of December 31, 2017.

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

The Philippine economy contracted by 9.5 percent in 2020, its worst in several decades and the sharpest among the largest economies in East Asia and the Pacific.
The overcast performance was due to the uncontrolled COVID-19 outbreak combined with strict nationwide lockdown and mobility restrictions, a succession of natural disasters, and delays in budget execution which drastically slowed business and disrupted supply chains forcing companies to make financial cuts.
The recovery of the Philippine economy may further stall amidst the recent spike in COVID-19 infections which is in a bothersome condition at least through the first half of 2021. This is due to the resurgence of COVID-19 cases, limited vaccine availability, large output gap (actual vs potential GDP) and elevated inflation which prompted the BSP to keep an accommodative stanceto stimulate the economy by maintaining a low interest rate regime for the rest of the year meant to make money less expensive to borrow and encourage more spending to boost the economy back on track.

It can be construed that the Philippine economy continues to demonstrate strength and resilience in adverse conditions. The economic downturn we experienced in 2020 was due to the public health emergency rather than a serious weakness in our economic fundamentals. It is expected that the economy will grow by 5.5% in 2021 rebounding from a record 9.5 percent gross domesticproduct (GDP) contraction in 2020.

The Company was not spared from the brunt of the pandemic's economic upheaval which adversely affected its 2020 financial performance. It reported a decline of 56% in its consolidated revenues of P1,174 million in 2020 from P2,665 million in 2019 and P3,755 million in 2018. The downward revenue trend of all business segments reeling from the shocks of the pandemic was compounded by the shift in business model of MyPhone to earning service income equivalent to percentage of sales in last quarter of 2019 which resulted to a downward trend in MyPhone revenues.

Consolidated net income of P223 million in 2020 slightly dropped from P226 million in 2019 and P254 million in 2018. It was driven by the impact of lower revenues which resulted to weaker net operating results of the property and related services and technical support and solutions offset by lower reported net losses of the distribution segment. This translated to earnings per share of P0.12 in 2020 and 2019 (P0.14 in 2018).

With its total assets of P12.3 billion in 2020, P12.1 billion in 2019 and P11.9 billion in 2018, the Company was able to maintain its liquidity achieving a current ratio of 13.15:1 in 2020, 10.56:1 in 2019 and 9.82:1 in 2018 which always exceeded the conservative rule of thumb of 2:1. It has sustained a low debt to equity ratio of 0.13:1 in 2020, 0.14:1 in 2019 and 0.13:1 in 2018 and

Myphone business of the distribution segment operating under MySolid Technologies and Devices Corporation (MySolid) reported a revenue drop by 84 % to P173 million in 2020 from

P1.09 billion in 2019 and P2.4 billion in 2018. In spite of lower revenues arising from the effects of the pandemic and shift in business model in 2019 to earning service income, it tapered its recorded net loss to P78 million in 2020 by 71% from P270 million net loss in 2019 and P161 million net loss in 2018. Moreover, MySolid encountered setback when it lost its key distributor insecond half of 2020. Hence, a corporate restructuring has been ongoing including a review of operations, market situation and new technologies towards sustainability in the long term. MySolid expects to generate revenues of about P300 million in 2021 with break-even results.

MyHouse gross revenue recorded 65% increase to P48 million from P29 million in previous year which also resulted to net income of P7 million compared to P6 million in 2019 as it delivered prefabricated modular units for quarantine facilities to the City of Taguig. MyHouse is projecting P100 million in revenues due to increase in demand from the government and private sectors for quarantine facilities as COVID19 cases remained high in NCR +.

Property & Related Services segment continued to be the key economic driver of the Company as the real estate market remained at a satisfactory level based on moderate supply to demand condition. This business segment contributed P238 million in revenue from P413 million and P378 million in 2019 and 2018, respectively. Net income decreased by 24% to P237 million from P313 million in 2019, from P302 million in 2018. It targets to contribute in 2021 about P300 millionin revenues.

Leasing operations was affected due to limited operating hours and tenants' liquidity. The Company granted discounts to certain tenants as support during temporary closure under ECQ. Itis expected to remain resilient as traditional demand drivers are keeping the business afloat amid slower economic growth as lease space demand and rates drops, targeting to contribute in 2020 about P180 million and P30 million in revenue and net income, respectively.

Solid Manila Corporation's contributed P178 million in 2020 and net profit of P247 million (including fair value gains on investment property). Its construction projects were temporarily put on hold including a 5-story hotel in Dagupan and a mixed-use project in Manila due to COVID-19 concerns. SMC is currently in negotiations to rent out its San Pablo property through its broker network.

Zen Towers Corporation's 14-storey condominium Tower 3 project intended for commercial and office lease with an estimated investment cost of P500 million was pushed back amidst the uncertainty brought about by the pandemic. It recognized revenue of P43 million and net income of P27 million in 2020.

The pandemic has confronted the hospitality industry with an unprecedented challenge. Strategies to flatten the COVID-19 curve such as community lockdowns, social distancing, stay- at-home orders, travel and mobility restrictions have resulted in temporary closure of many hospitality businesses and significantly decreased the demand for businesses that were allowed to continue to operate. Restrictions placed on travel and stay-at-home orders issued by the authorities led to sharp decline in hotel occupancies and revenues.

Hotel and events operations in 2020 contributed P59 million in revenue, 64% lower than P168 million in 2019 from the combined revenues of Green Sun, a business hotel and event center in Makati and Casa Bocobo, a budget hotel in Manila. Casa Bocobo was able to bounce back after transforming into quarantine hotel for seafarers, delivering albeit a lower bottom line of P4.6 million in 2020 from P6.9 million of the previous year. Green Sun, on the other hand, whose events business was severely impacted by ban of mass gathering, took the opportunity to renovate its hotel while the Company awaited for business conditions and economy to turnaround. The business suspension disrupted operations causing retrenchment of 75% of its employees. The Company also incurred additional administrative expenses to comply with government protocols and to ensure health and safety of its employees and customers thorough the frequent disinfection of facilities and rapid and swab testing of its employees. Hotel operationsof Green Sun is forecasted to break-even in 2021.

Technical Support and Solutions segment also experienced a set-back in operations when community quarantines were implemented which consequently resulted to reduced business opportunities. It consistently remains, however, to be a top contributor in creating value through combination of profitability and operational efficiency. It generated P577 million in revenues compared to P972 million in 2019 and P807 million in 2018 and net income of P23 million, from P92 million in 2019 and P65 million in 2018.

Financial performance in 2020 for Solid Video Corporation (SVC) recognized revenues of P116 million declining by 73% from P423 million in 2019 and P273 million in 2018 with net loss of P17 million in 2020 from P25 million net profit of the previous year. The impact of the pandemic was felt as the national event integration project for the Paralympic games scheduled in 2020 was canceled to avoid the threat of COVID-19. On the distribution and sale of equipment side, the Company expects likelihood that key CAPEX purchases from networks might still be put on hold. Hence, as a revenue generating initiative relevant to the present situation, SVC plans to offer customers its capability to provide solutions for work or broadcast from home set-ups, communication equipment for hospitals and e-learning platform. SVC is projecting to attainrevenue of P300 million and net income of P12.5 million in 2021.

Omni Solid Services Inc. (OSSI) realized revenues of P266 million, weaker by 16% from P317 million in 2019 and P287 million in 2018 mainly from business interruption during ECQ. Its net income posted a decline of 22% to P50 million in 2020 from P64 million and P57 million in 2019 and 2018, respectively. As logistics providers can fully operate regardless of IATF quarantine restrictions, OSSI is expected to generate revenue of P370 million in 2021.

SolidService Electronics Corporation (SolidService) posted revenue decline to P128 million from P173 million in 2019 from P204 million in 2018. It incurred a net loss of P3 million from its net income of P2.3 million in 2019 and P0.60 million in 2018. In addition to its main line of business as consumer electronic products and mobile phone after sales service provider, its focus is to strengthen further its other line of business which it started in 2019 for air conditioner installations, repairs and preventive maintenance services. It is now on the works to have additional direct accreditations from one or two more brands to expand its current accreditation as service installer for the brands Gree and Haier aircon units (consumer category), projecting 2021 revenue of P180 million. This segment will contribute to help move the economy through delivery of essential customer services as it remains confident about the growth forecasts amid competition and COVID-19 threat while improving on cost efficiency and growing market share in its areas of operation. In 2021, it aimed to attain a combined revenue of P850 million and net income of P60 million.

Investment and others segment posted revenue of P353 million greater than P252 million in 2019 with higher net income of P178 million compared to P107 million in 2019. The improved revenue and net income was delivered by higher dividends from subsidiaries of P200 million in 2020 versus P65 million in 2019. Apart from these dividends, the operating results of this segment wasa loss of P21 million in 2020 from P42 million net profit of the previous year from lower interest earnings on time deposits. It entered into a partnership with a Chinese motorcycle manufacturer and distributor company to tap the high demand for motorcycles.

We share the view of the economists that 2021 will be a recovery year and that the economy won’t be back to its 2019 level in the aggregate until perhaps the second half of 2022. Having a comprehensive assessment on the effects of the pandemic will enable the Company to have a clear guide to future actions when the economy fully recovers and growth becomes sustainable. The Company is confident that it will overcome the effects of the pandemic, achieve and maintain its financial stability through its well-positioned plans to realize its goal and prospects ahead when economic activity stabilizes.

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 theCompany. 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 2021 to amount to P1.26 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.

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. On March 1, 2021, the Philippines started its vaccination roll-out. In March 2021, amid the sudden surge of the infections, President Duterte declared Metro Manila, Rizal, Bulacan, Laguna and Cavite (NCR Plus) under ECQ from March 29 to April 11, 2021 in an effort to slow the outbreak worse than last year. Since then, NCR Plus gradually opened up its businesses. However, due to the uncertainty of permanent business reopening fueled by soaring number of infections, the Company expects its group-wide revenues and income from continuing operations and financial condition to be negatively impacted by this pandemic.

Alongside the sales decline in 2020 due to the pandemic, 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 last quarter of 2019. While MySolid sold its most of its products under this distribution model, it lost its key distributor in 2020. Furthermore, a corporate restructuring has been ongoing including a review of operations, market situation and new technologiestowards sustainability in the long term. The Company expect the distribution segment to generate improved revenues in 2021 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. The Company is currently negotiating with CDC for the renewal of lease contract of the remaining building. As a result, the Company expects Kita to incur losses in 2021.

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, 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 by restrictions on mass gathering and lack of tourist arrivals, which led to retrenchment of our employees. Our government's response under RA No. 11469, Bayanihan to Heal as One Act mandated Solid Manila Finance Inc., a wholly owned subsidiary of the Company under investments and other segment to provide two to four months grace period to its customers for the repayment of loans. (See Note 1.4 in Notes to FS for Impact of COVID-19 Pandemic on the Group's Business).

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. Both the change in distribution model and business interruption from this pandemic from contributed to significant drop in revenues of MySolid of about 80%.

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.

Based on the appraisal reports obtained in 2020, 2019 and 2018, the Company reported fair value gains on investment property of P265 million, P277 million and P276 million for 2020, 2019, and 2018, respectively.

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 – 138% increase to P21 million from P9 million

Principally due to deposits made for future subscription in the motorcycle venture of the Company. This account stood at 0.18% 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.

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 years.

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 offsetted 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 47% 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 49% 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 9% and for years 2020 and 2019, respectively.

Interest income – 42% decrease to P83 million from P143 million

Mostly due to lower interest rates. As a percentage of total revenues, this account represented 7% and 5% 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 44% 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 – 37% decrease to P421 million from P667 million

Principally contributed by lower revenues of all business segments. As a percentage of total revenues, this account stood at 36% and 25% in 2020 and 2019.

Selling and distribution costs –76% decrease to P41 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 4% and 6% of total revenues for 2020 and 2019, respectively.

General and administrative expenses – 14% decrease to P339 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 29% and 15% in 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 26% in 2020 and 13% in 2019.

Operating profit - 19% decrease to P348 million from P431 million

Mainly associated with lower gross profit mentioned above. This account represented 30% and 16% as a percentage of total revenues for 2020 and 2019, respectively.

Finance income – 49% decrease to P48 million from P96 million

Mainly due to weaker interest income from lower yield of investible funds and lower cashsurrender value of investment in life insurance of the investment and other segment. This account represented 4% as a percentage of total revenues for both years .

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 0.63% and 0.49% 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 31% in 2020 and 19% 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 assetsin 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.

Income Statement Items (2019 vs. 2018)
(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 47% and 72% 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 9% and 6% for years 2019 and 2018, respectively.

Interest income – 82% increase to to P143 million from P78 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 5% 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 44% 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 – 5% decrease to P667 million from P699 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 25% and 19% 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 6% 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 12% 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 - 65% increase to P431 million from P261 million

Mostly driven by higher operating profit of the technical support and solution and property and building services segments. This account represented 16% and 7% as a percentage of total revenues for 2019 and 2018, respectively.

Finance income – 9% increase to P96 million from P88 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 4% and 2% as a percentage oftotal 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 0.49% 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 19% 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 8.5% in 2019 and 7% in 2018.

2018

Balance Sheet Items (2018 vs 2017)
(Increase or decrease of 5% or more in the financial statements)

Cash and cash equivalents – 30% decrease to P2,455 million from P3,490 million

Cash was mainly used for operating activities from increase in inventories of the digital mobile segment and increase in short-term deposits. This account stood at 21% and 30% as a percentage of total assets for 2018 and 2017.

Short-term investments -1243% to P806 million from P60 million

Principally from higher time deposit placements with maturities of more than three months but less than one year. This account stood at 7% and 0.51% as a percentage of total assets in 2018 and 2017, respectively.

Trade and other receivables – 27 % decrease to P891 million from P1,214 million

Primarily from decrease in advances to suppliers of the digital mobile segment. This account stood at 7% and 10% as a percentage of total assets in 2018 and 2017, respectively.

Advances to related parties – 2% increase to P9.4 million from P9.2 million

There was no material change for this account. This account stood at 0.08% as a percentage of total assets in 2018 and 2017.

Merchandise inventories and supplies – 42 % increase to P764 million from P538 million

Mainly from higher merchandise inventory for digital products of the digital mobile segment. This account represented 6% and 5% as a percentage of total assets for years 2018 and 2017, respectively.

Real estate inventories – 1% decrease to P436 million from P440 million

There was no material change for this account. This account stood at 4% as a percentage of total assets in 2018 and 2017.

Other current assets – 4% increase to P250 million from P241 million

Mainly from higher creditable withholding taxes and input vat. This account stood at 2% for both years as percentage of total assets in 2018 and 2017, respectively.

Non-current trade and other receivables – 7% increase to P739 million from P692 million

Mainly from increase in 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 –P27 million in 2018

Mainly from the investment in proprietary membership club shares. This account was reclassified from AFS Financial Assets due to adoption of PFRS 9, Financial instruments effective 2018. This account stood at 0.23% as a percentage of total assets for 2018.

Property, plant and equipment – 8% decrease to P1,762 million from P1,909 million

Primarily due to transfer of certain construction in progress to investment property of property & building services segment. This represented 15 %% and 16% as a percentage of total assets in 2018 and 2017, respectively.

Investment property – 17% increase to P3,406 million from P2,903 million

Mainly due to fair value gains and transfer of certain construction in progress from property and equipment to investment property of the property & building services segment. This account stood at 28% and 25% as a percentage of total assets in 2018 and 2017, respectively.

Post-employment benefit asset – 20 % increase to P126 million from P105 million

Primarily as a result of lower present value of retirement obligation. This represented 1% and 0.90% of total assets in 2018 and 2017, respectively.

Deferred tax assets – 41% increase to P156 million from P110 million

Principally due to recognition of DTA from NOLCO of digital mobile segment. This account stood at 1.3% and 0.94% of total assets in 2018 and 2017, respectively.

Available-for-sale financial assets – nil in 2018, P20 million in 2017

Arising from its reclassification to Financial assets at FVOCI in 2018 due to adoption of PFRS 9, Financial instruments effective 2018. This represented nil in 2018 and 0.18% as a percentage to total assets in 2017.

Other non-current assets – 432% increase to P124 million from P23 million

Primarily due to deposits on acquisition of land of the property & building services segment. This represented 1% and 0.20% as percentage to total assets in 2018 and 2017 respectively.

Interest-bearing loans – 7% increase to P123 million from P115 million

Primarily due to application of unpaid interest expense to principal loan balances and translation adjustment from devaluation of Philippine peso. This account stood at 1% as a percentage of total liabilities and equity in both years.

Trade and other payables – 11% decrease to P422 million from P475 million

Principally due to lower trade payables of the technical support & solutions segment. This account stood at 4% as a percentage of total liabilities and equity in 2018 and 2017.

Customers' deposits – 7% decrease to P15 million from P16 million

The decrease was due to refund of deposits. This account represented 0.13% in 2018 and 0.14% as a percentage of total liabilities and equity in 2018 and 2017, respectively.

Advances from related parties – 50% decrease to P1.8 million from P3.7 million

The decrease was due to payment of advances during the year. This account stood at 0.02% in 2018 and 0.03% in 2017 as a percentage of total liabilities and equity.

Estimated liability for land and land development cost – nil in 2018, P68 million in 2017

This is due to adoption of PFRS 15 effective 2018 that resulted in the derecognition of liability. This account represented nil in 2018 and 1% as a percentage of total liabilities and equity in 2017.

Income tax payable –75% decrease to P8 million from P33 million

Principally due to lower tax expense. This account was pegged at 0.07% and 0.28% of the total liabilities and equity in 2018 and 2017, respectively.

Non-current refundable deposits – 8% increase to P29 million from P27 million

Mainly from additional customers' deposits during the year. This represented 0.25% and 0.23% of the total liabilities and equity in 2018 and 2017, respectively.

Post-employment benefit obligation – 29% decrease to P26 million from P37 million

The decrease was mainly due to lower present value of retirement benefit obligation. This account stood at 0.22% and 0.32% of the total liabilities and equity in 2018 and 2017, respectively.

Deferred tax liabilities – 12% increase to P783 million from P697 million

The increase was mainly attributable to additional fair value gain on investment property for the year. This account stood at 7% and 6% as a percentage of total liabilities and equity in 2018 and 2017 respectively.

Capital stock – no change

This account stood at 17% of total liabilities and equity for 2018 and 2017.

Additional Paid-In-Capital – no change

This account represented 39% of total liabilities and equity for 2018 and 2017.

Treasury Shares – no change

This account represented 0.97% and 0.98% of total liabilities and equity for 2018 and 2017, respectively.

Revaluation reserves – 368% increase to P42 million gain from P15 million loss

Mainly from actuarial gains from remeasurement of post-employment benefit plan, and currency exchange differences on translation of financial statements of foreign operation. It stood at 0.35% and 0.13% total liabilities and equity in 2018 and 2017, respectively.

Retained earnings – 6% increase to P3,594 million from P3,398 million

Increase was a result of net income for the year offset by dividends declared. This account stood at 30% and 29% of total liabilities and equity in 2018 and 2017, respectively.

Income Statement Items (2018 vs. 2017)
(Increase or decrease of 5% or more in the financial statements)

Sale of goods – 21% decrease to P2,715 million from P3,450 million

Principally from lower sales volume of digital products of the digital mobile segment. As a percentage of total revenues, this account represents 72% and 70% in 2018 and 2017, respectively.

Service revenue – 40% decrease to P712 million from P1,192 million

Principally due to decline in revenues of the technical support &solutions segment. The record sales performance in 2017 of the technical support and solutions segment was delivered from the integration activities in the three ASEAN events (none in 2018). As a percentage of total revenues, this account represents 19% and 24% in 2018 and 2017, respectively.

Rental income – 3% increase to P239 million from P233 million

The increase was due to higher occupancy of the property & building services segment. As a percentage of total revenues, this account represents 6% and 5% for years 2018 and 2017, respectively.

Interest income – 76% increase to P78 million from P44 million

Mainly from higher interest rates and investible funds of the investment & other segment. As a percentage of total revenues, this account represents 2% in 2018 and 0.91% in 2017.

Sale of real estate – 53% decrease to P10 million from P22 million

The decrease was principally due to lower sale of condominium units. As a percentage of total revenues, this account stood at 0.28% in 2018 and 0.45% in 2017.

Cost of sales - 19% decrease to P2,399 million from P2,970 million

Mainly in relation to decrease in sales of digital mobile segment. As a percentage of total revenues, this account represented 64% and 60% in 2018 and 2017 respectively.

Cost of services – 40% decrease to P553 million from P915 million

Mainly due to lower service revenue. This account stood at 15% in 2018 and 19% in 2017 as a percentage of total revenues.

Cost of rentals – 25% increase to P96 million from P77 million

The increase was mainly in relation to higher rental income. This account represents 3% in 2018 and 2% in 2017 as a percentage of total revenues.

Cost of real estate sales – 53% decrease to P6 million from P14 million

This corresponded to cost of units sold of the property & building services segment. As apercentage of total revenues, this account represents 0.18% in 2018 and 0.29% in 2017.
Gross profit – 28% decrease to P699 million from P965 million

Primarily due to lower revenues and gross profit margins. The Company also decided to address its slow-moving inventories and sold Brown mobile phones of digital mobile segment at a loss in the fourth quarter of 2018 when it moved the distribution of the units to its traditional dealership channel. As a percentage of total revenues, this account stood at 19% in 2018 and 20% in 2017.

Selling and distribution costs – 6% decrease to P310 million from P330 million

Mainly due lower commissions of the digital mobile segment. This account represents 8% of total revenues for 2018 and 7% in 2017.

General and administrative expenses – 26% increase to P466 million from P367 million

Principally from loss on unrecoverable advances for the Brown mobile phones of the digital mobile segment. As a percentage of total revenues, this account stood at 12% in 2018 and 7% in2017.

Other operating income –net - 51% increase to P339 million from P224 million

Mainly from fair value gains on investment property. As a percentage to total revenues, this account represents 9% in 2018 and 5% in 2017.

Operating profit - 46% decrease to P261 million from P491 million

Mainly from operating loss of the digital mobile segment as discussed above and lower operating profit of the technical support & solutions segments. This account represents 7% and 10% as a percentage of total revenues for 2018 and 2017, respectively.

Finance income – 35% increase to P88 million from P65 million

It went up principally due to higher foreign currency exchange gains and interest earnings. This account represents 2% and 1% as a percentage of total revenues for 2018 and 2017, respectively.

Finance costs - 16% decrease to P5.98 million from P12 million

Primarily due to lower foreign currency exchange losses offset by higher interest expense and impairment losses in receivables. This account represents 0.16% and 0.29% as a percentage of total revenues in 2018 and 2017, respectively.

Other gains - net – 62% decrease to P6 million from P17 million

Primarily from refund of deposits of electricity of the property & related services segment in 2017 (none in 2018). This account stood at 0.18% in 2018 from 0.36% in 2017 as a percentage of total revenues.

Profit before tax – 38% decrease to P350 million from P561 million in 2017

Mainly due to net loss of digital mobile segment and lower profit of the technical support & solutions segment. This account stood at 9% in 2018 from11% in 2017 as a percentage of total revenues.
Tax expense – 39% decrease to P95 million from P157 million

Due to lower pre-tax income. This account stood at 3% in 2018 and 2017 as a percentage of total revenues.

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

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

Item7. 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, 2020 and 2019 amounted to P6.25 million and P6.49 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 2020 and 2019.

(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 31,2020 and 2019 amounted to P240 thousand for both years. The professional fees for services relative to the assistance in the preparation transfer pricing documentation in accordance with thearm's length principle of the Company and Solid Manila Corporation, a wholly owned subsidiaryof the Company amounted to P990 thousand for 2019.

(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 2020 and 2019.

(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 September 25, 2020, the Company reappointed Punongbayan and Araullo (P&A) as its external auditors for the year 2020.

There was no change in our existing accountant for the years 2020 and 2019.

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 anet liability of P23,201,010. The Company and DCI agreed that the Company would no longer issue shares of stock to DCI as payment for its acquisition of DI, but instead assume the DI's net liability which represents fair value of the ongoing business of DI including its existing cable internet subscriber base which, in accordance with the pooling of interest accounting applied to this transaction, was charged to additional paid-in capital. In 2012, Solid Broadband Corporation (SBC), the surviving company after the merger with DI, sold its broadband cable infrastructure and broadband internet subscriber base to Skycable Corporation.

The Company ventured into a 26-storey high rise condominium project Zen Towers located in the heart of Manila in 2007. This project was expanded in 2010 with the completion of a 11-storey building composed of offices for sale and lease in the same premise. Also, part of the real estate business is a 75-room budget hotel Casa Bocobo in Manila which started in 2008 and a 144-room business hotel and three fully equipped event venues in Makati launched as Green Sun in 2014.

The Company reinvented itself by realigning its resources to market its own Filipino brand of mobile phone, 'myphone', 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, 2019, 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, toengage 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, in April 2004, with Kita as the surviving company. After its merger with CPMC, Kita resumed operations to continue the business of CPMC, which isinjected 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 expiredand surrendered certain buildings to Clark International Airport Corporation since these locations are part of the site for the second Clark Airport runway. It is currently negotiating with CDC on a new contract.

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

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

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

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

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

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

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

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, 2020 are:

(1) sale of mobile phones which generated sales of P115 million (for 83,424 units) or 41% of sales in 2020, P1,031 million (for 1,005,215 units) or 82% of sales in 2019 and P2,432 million (for 1,903,055 units) or 90% of sales in 2018; 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 2020 which generated service income of P121 million or 21% of service revenues in 2020, P173 million or 17% of service revenues in 2019, and P204 million or 29% of service revenues in 2018; (3) warehousing, distribution and product testing of consumer electronic products with service revenue of P191 million or 33% of service revenues in 2020, P197 million or 20% of service revenues in 2019 and P164 million or 23% of service revenues in 2018; and (4) subcontract or toll manufacturing of color TV sets for other brand owner (i.e. TCL, Haier) which generated tolling fee of 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 and P63 million (for 293,866 units) or 9% of service revenues in 2018. Service income from commission on sale of mobile products amounted to P59 million or 10% of service revenues in 2020 and P60 million or 6% of service revenues in 2019 (none in 2018).

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 P89 million or 16% of service revenues in 2020, P90 million or 9% of service revenues in 2019 and P81 million or 11% of service revenues in 2018.

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 forsale 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 P108 million or 39% of sales in 2020, P182 million or 14% of sales in 2019 and P232 million or 9% of sales in 2018; prefabricated modular houses of P46 million or 17% of sales in 2020, P9 million or 0.7% of sales in 2019 and P15 million or 0.6% of sales in 2018. Real estate sales amounted to nil in 2020, P7 million or 0.3% of revenues in 2019 and P10 million or 0.3% or revenues in 2018. Revenues from hotel operations amounted to P59 million or 10% of service revenues P168 million or 17% of revenues in 2019 and P157 million or 22% of service revenues in 2018. Service fee from project integration of P9 million or 2% of service revenues in 2020, P234 million or 23% of service revenues in 2019 and P20 million or 3% of service revenues for 2018.

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 2 national distributors. As of December 31, 2020, the national distributors supplied approximately 200 dealer accounts and 500 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, 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.

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, temporaryhousing 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 Shenker and CJ Logistics among others. It also offers testing services to electronics companies and competes with Rhineland and Duinos 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, 2020, 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 atits 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 2020, the service feeamounted to P3 million. The agreement is effective unless revoked by either parties.

- 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 ofits 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 371 regular employees as at December 31, 2020 as shown in the table below. It estimates to have 400 employees by the end of December 31, 2021.There is no existing union as of December 31, 2020. 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 leaveconversions.

	Number of employees
Management	18
Sales and Distribution	65
Operation	95
Service	73
Administration	70
Finance	50
Total	371

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	4,506	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 Office building for lease
J. Bocobo St., Ermita, Manila	1,724	Office building and Hotel
Brgy. San Roque, San Pablo City	1,714	Service center and Building for lease
Oliveros, Balintawak, Quezon City	1,400	Land (Intended for sale)
Bacoor, Cavite	1,334	Office building for lease
Cabanatuan City, Nueva Ecija	1,212	Service center and building for lease
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 2021.

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, Solid Service Electronics Corporation, has entered into lease contract.

Location	Annual Rent (In Thousand Pesos)	Expiration Date
Ortigas, Mandaluyong	1,119	April 2020

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

Also, the Company through its subsidiaries, primarily Solid Manila Corporation, Omni SolidServices 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	2,329	January 31,2022
Bacoor, Cavite	3,735	July 31, 2029

Cagayan de Oro	2,083	Various up to January 3, 2022
Ermita, Manila	43,388	Various up to December 6, 2025
Ermita, Manila	5,957	Various up to March 31, 2022
Iloilo	2,361	Various up to April 30, 2021
La Huerta, Bicutan, Paranaque	14,452	Various up to October 31, 2027
Laguna International Industrial Park, Binan, Laguna	83,001	Various up to June 30, 2022
Laguna International Industrial Park, Binan, Laguna	9,387	December 31, 2020
Magallanes, Makati	14,697	Various up to July 6, 2029
Project 4, Quezon City	1,074	March 31, 2025
Quezon Ave, Quezon City	2,520	Various up to September 30, 2027
Salcedo Village, Makati	2,367	Various up to January 14, 2022
San Antonio, Paranaque City	32,832	Various up to December 31, 2022
Tandang Sora, Quezon City	1,673	Various up to December 31, 2020
Valenzuela, Bulacan	12,082	Various up to December 31, 2022

Properties the Company intends to acquire in the next twelve months

The Company estimates capital expenditures for the year 2022 amounting to 1.26 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.

Item 3. Legal Proceedings

C. Legal Proceedings

MySolid Technologies and Devices Corporation (MySolid) and Solid Video Corporation (SVC) has outstanding tax cases with the Bureau of Internal Revenue (BIR) for various deficiency taxes. These cases are pending with Court of Tax Appeals (CTA). Management believes that MySolid and SVC have enough evidence to support their claims and that the outcome of such tax assessments will not have a material impact on the Company results of operations.

MySolid filed petition for review with the CTA on May 18, 2018 under CTA case no. 9389 of CTA-Third Division for cancellation of deficiency taxes of various internal revenue taxes of P45.7 million for calendar year 2011, which the pre-trial conference was held on November 13, 2018 and presentation of witnesses and presentation of evidence on September 4, 2019. On January 19, 2021, the CTA issued a resolution directing both parties to file their memorandum within 30 days.

MySolid has an outstanding tax case filed with the CTA under CTA No. 8854 of CTA-First Division for deficiency taxes on VAT for calendar year 2012 (1st and 2nd quarters) of P65.9 million. On August 4, 2017, the CTA ordered Commisioner of Internal Revenue (CIR) to cancel MySolid's deficiency VAT assessment. On August 11, 2017, the CIR filed a motion for reconsideration which was denied by the CTA on January 4, 2018 for lack of merit. On February 6, 2018, MySolid received copy of the CIR's petition for review with the CTA En Banc. On July 27,2018, MySolid filed its memorandum relating to the matter with the CTA En Banc. The CTA En Banc denied the petition for review due to lack of merit, for which the CIR filed a motion for reconsideration on September 5, 2019. The CTA En Banc denied CIR's motion for reconsideration on February 11, 2020. On July 6, 2020, MySolid received copy of CIR's petition for review on Certiorari with the Supreme Court (SC) where CIR prayed for reversal of CTA En Banc's decision and resolution. On August 26, 2020, the SC issued a resolution denying CIR's petition for review for failure to sufficiently show any reversible error in the assailed judgment to warrant the exercise of the court's discretionary appellate jurisdiction. As of February 2021, our legal counsel expects a favorable judgment from the SC.

MySolid filed petition for review with the CTA on March 19, 2018 under CTA case no. 9786 of CTA-Third Division for cancellation of deficiency taxes of various internal revenue taxes of P10 million for calendar year 2010. On September 23, 2020, the CTA granted the petition of MySolid and ordered CIR to cancel the deficiency tax assesments. It held that the assessments were null and void because the revenue officers were not named in the letter of authority. On October 26, 2020, the CIR filed a motion for reconsideration to the CTA. Pursuant to the court's resolution, MySolid filed its comment to the CIR's motion for reconsideration on December 17, 2020. As February 2021, the case is still pending.

MySolid filed its petition for review with the CTA on June 30, 2020 under CTA Case No. 10293 of the CTA Third Division for the cancellation and withdrawal of the BIR's deficiency VAT assessment of P23.5 million for July 1, 2017 to December 31,2017. On Novermber 26, 2020, theCIR filed his answer to the petition for review. As of February 2021, the CTA scheduled the pre- trial conference in April 2021.

SVC filed petition for review on May 15, 2015 with CTA case no. 9051 to CTA-Third Division for deficiency income tax and VAT for calendar year 2010 of P23 million. Trial ensued and the case was submitted to CTA for decision on November 8, 2017. On October 25, 2018, the CTA decided and cancelled portion of deficiency tax assessments. On November 23, 2018, SVC filed a motion for partial reconsideration, where the CTA further reduced the deficiency assessment onits May 2, 2019 amended decision. On May 24, 2019, SVC filed a motion for partial reconsideration of the amended decision which was denied by CTA resolution dated November 14, 2019. On December 23, 2019, SVC filed petition for review with CTA En Banc to appeal bothCTA amended decision on May 2, 2019 and resolution dated November 14, 2019 under CTA EB no. 2195. On January 7, 2019, SVC received BIR's petition for review under CTA EB no. 2207 for reversal and setting aside of CTA's decision dated October 25, 2018, amended decision datedMay 2, 2019 and resolution dated November 14, 2019. On June 4, 2020, the CTA En Banc referred the case to mediation. The CIR agreed to settle the case at P1.5 million. As of February2021, the parties are currently finalizing the execution of the Compromise Agreeement of this case.

As discussed above and in Item 2 (See Properties) , certain subsidiaries of the Company are involved in litigation or other proceedings affecting their respective titles to real estate property and certain other litigation in relation to property and tax cases, 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 (₱)
2021		
First quarter	1.50	1.12
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
2019		
First quarter	1.48	1.29
Second quarter	1.39	1.32
Third quarter	1.44	1.27
Fourth quarter	1.39	1.22

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

(b) The Company share was trading at P1.25 as of June 30, 2021 (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 June 30, 2021 was 4,228. Common shares outstanding as of June 30, 2021 were 1,821,542,000 shares. Total issued shares as of June 30, 2021 were 2,030,975,000.

Top 20 stockholders of the Company's common stock as of June 30, 2021:

	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)	454,470,524	24.95
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.	PCD Nominee Corporation (NF)	13,538,301	0.74
8.	Philippines International Life Insurance Co., Inc	10,000,000	0.55
9.	Chua, Willington Chua &/or Constantino	8,770,000	0.48
10.	Chia Tzu Chern	2,872,000	0.16
11.	Chua, Constantino &/or Willington &/or George	1,750,000	0.10
12.	Hottick Development Corporation	1,408,000	0.08
13.	Paz, Venson	1,065,000	0.06
14.	Columbian Motors Corporation	1,000,000	0.05
	Lucio W. Yan &/or Clara Yan	1,000,000	0.05
15.	Juan Go Yu &/or Grace Chu Yu	940,000	0.05
16.	Ong, Victoria	632,000	0.03
17.	Lim, Julia	590,000	0.03
18.	Juan Go Yu &/or John Philip Yu	580,000	0.03
19.	Castillo Laman Tan Pantaleon & San Jose Law Offices	536,000	0.03

20.	GMA Farms, Inc.	500,000	0.03
	Jacinto, Ray Sy	500,000	0.03
	Suntay, Isabel C.	500,000	0.03

b. Not applicable. This report is not filed in relation to registration of securities or any acquisition, business combination or other reorganization.

c. Not applicable. This report is not filed in relation to any acquisition, business combination or other reorganization.

d. Not applicable. This report is not filed in relation to registration of securities.

(3) Dividends

a. In 2019, cash dividend of P0.06 per share to stockholders of record as of August 30, 2019 and payable on September 24, 2019. None in 2020.

b. The Company's retained earnings as of December 31, 2020 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, 2020.

(4) Recent Sales of Unregistered or Exempt Securities

There was no sale of unregistered or exempt securities in 2018 to 2020.

a. Securities Sold.

No securities were sold by the Company from 2018 to 2020.

b. Underwriters and Other Purchases

Not applicable. There were no securities were sold by the Company from 2018 to 2020.

c. Consideration

Not applicable. There were no securities were sold by the Company from 2018 to 2020.

d. Exemption from Registration Claimed

Not applicable. There were no securities were sold by the Company from 2018 to 2020.

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 ManagementCommittee 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 Mr. Quintin Chua and Ms. Maria G. Goolsby as Independent Directors during the Annual Stockholders' meeting on September 24, 2020.

The Company reappointed Punongbayan and Araullo, CPA's as its independent accountant for the year 2020 during the Annual Stockholders' meeting on September 24, 2020.

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 10, 2020, 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.

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, 2018in compliance with SEC Memorandum Circular No.15, Series of 2017. The 2018 I-ACGR was submitted on May 21, 2019. The 2019 I-ACGR was submitted on July 29, 2020. For the 2020 I- ACGR, this will be submitted on or before May 30, 2021.

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, 2020 and 2019 amounted to P6.25 million and P6.49 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 2020 and 2019.

(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 31,2020 and 2019 amounted to P240 thousand for both years. The professional fees for services relative to the assistance in the preparation transfer pricing documentation in accordance with thearm's length principle of the Company and Solid Manila Corporation, a wholly owned subsidiaryof the Company amounted to P990 thousand for 2019.

(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 2020 and 2019.

(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

SOLID GROUP INC.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR 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, 2020 and 2019, 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 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 to do so.

The Board of Directors is responsible for overseeing the Group'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 Group 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

19 APR 2021

Signed this _____ day of _________ 2021.

SUBSCRIBED AND SWORN to before me this 19 APR 2021 day of _________, affiants exhibiting to me their passport with details shown above.

Doc No. 317;
Page No. 65;
Book No. 162;
Series of 2021

ATTY. RAYMOND A. RAMOS
COMMISSION NO M-239
NOTARY PUBLIC FOR MAKATI CITY
UNTIL JUNE 30, 2021 per B.M. No. 3795
11 KALAYAAN AVENUE EXTENSION
BARANGAY WEST REMBO, MAKATI CITY
SC Roll No. 62179/04-26-2013
IBP NO. 137312/01-04-2021/Pasig City
PTR NO. MKT 8531022/01-04-2021/Makati City

P&A
Grant Thornton

FOR SEC FILING

Consolidated Financial Statements and Independent Auditors' Report

Solid Group Inc. and Subsidiaries

December 31, 2020, 2019 and 2018

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

T +63 2 8988 22 88

Report of Independent Auditors

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

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, 2020 and 2019, 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, 2020, 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, 2020 and 2019, and their consolidated financial performance and their consolidated cash flows for each of the three years in the period ended December 31, 2020 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, 2020, the Group's investment properties amounted to P4,035.0 million representing 32.8% 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 utilizes the work of a valuation expert.

The Group's disclosures about investment properties and the related fair value disclosures are included in Notes 2, 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, 2020, the Group's revenue from sale of goods and rendering of services amounted to P276.7 million and P572.1 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;

- evaluating appropriateness of the Group's revenue recognition policy in accordance with PFRS 15, *Revenue from Contracts with Customers*;

- 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;

- testing sales and billing invoices and other related supporting documents, on a sample basis, of revenue transactions throughout the current period to determine whether transactions are properly recognized at the time the Group satisfies its performance obligation;

- 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, reporting unresolved difference to appropriate client personnel and projecting errors to the population, to ascertain the testing precision achieved, which further validates the accuracy of revenue recognized by the Group; and,

- 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 in 2020. 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 P737.2 million as of December 31, 2020.

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, 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.

(d) *Performing Significant Portion of Audit Remotely*

Description of the Matter

As disclosed in Note 1 of the financial statements, COVID-19 started to become widespread in the Philippines in early March 2020 wherein certain measures implemented by the government resulted in performing a significant portion of the engagement remotely.

The change in working conditions is relevant and significant to our audit since it creates an increased risk of error due to less visibility of the client personnel and lack of access to the original client records. Given the changes in how the audit was performed, the audit required exercising enhanced professional skepticism.

How the Matter was Addressed in the Audit

Our audit procedures to address the risk of performing the audit remotely included the following:

- considering the nature of the engagement and the engagement team's knowledge of the entity and its environment when determining whether it is possible to perform a significant portion, if not all of the engagement remotely;

- following the requirements of the PSA including providing proper supervision and review, even when working remotely;

- obtaining information through electronic means, which includes sending and receiving of confirmation electronically, obtaining calculations in electronic form to check the mathematical accuracy, scanning of hard-copy items for review and using real-time inspection technology such as video and screen-sharing;

- determining the reliability of audit evidence provided electronically using enhanced professional skepticism;

- performing inquiries through video call in order to judge body language and other cues and to have a more interactive audit engagement; and,

- examining critical hard copy documents (e.g., contracts, progress billings, billing invoices, purchases invoices and official receipts) physically in response to the risk in revenues and costs, which is considered to be significant.

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, 2020, 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, 2020 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. 8533227, January 4, 2021, 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 Jul. 24, 2021)

April 8, 2021

SOLID GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019
(Amounts in Philippine Pesos)

	Notes	2020	2019
A S S E T S			
CURRENT ASSETS			
Cash and cash equivalents	5	**P 918,335,159**	P 3,491,034,266
Short-term placements	5	**3,326,476,937**	762,445,571
Trade and other receivables - net	6	**315,156,350**	611,560,303
Advances to related parties	25	**21,572,451**	9,047,868
Merchandise inventories and supplies - net	8	**198,355,670**	159,092,598
Real estate inventories - net	9	**437,128,195**	436,969,424
Other current assets	13	**351,459,204**	212,104,776
Total Current Assets		**5,568,483,966**	5,682,254,806
NON-CURRENT ASSETS			
Trade and other receivables - net	6	**750,895,379**	751,149,201
Financial assets at fair value through other comprehensive income	7	**24,100,000**	26,100,000
Property and equipment - net	11	**1,680,005,586**	1,694,291,476
Investment properties - net	12	**4,035,019,552**	3,740,122,663
Right-of-use assets - net	10	**9,549,297**	14,762,222
Post-employment benefit asset - net	21	**138,381,533**	121,642,389
Deferred tax assets - net	22	**70,838,052**	66,451,507
Other non-current assets - net	13	**26,471,792**	23,442,559
Total Non-current Assets		**6,735,261,191**	6,437,962,017
TOTAL ASSETS		**P 12,303,745,157**	P 12,120,216,823

	Notes	2020	2019
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Trade and other payables	15	**P 397,195,540**	P 438,742,850
Customers' deposits	2	**15,717,370**	12,731,649
Lease liabilities	10	**4,150,895**	4,880,092
Advances from related parties	25	**1,881,570**	1,881,570
Interest-bearing loans	14	**-**	67,956,468
Income tax payable		**4,620,256**	11,861,258
Total Current Liabilities		**423,565,631**	538,053,887
NON-CURRENT LIABILITIES			
Refundable deposits	16	**28,889,217**	23,491,992
Lease liabilities	10	**6,370,471**	10,483,385
Post-employment benefit obligation	21	**27,595,698**	33,594,421
Deferred tax liabilities - net	22	**961,012,498**	873,713,301
Total Non-current Liabilities		**1,023,867,884**	941,283,099
Total Liabilities		**1,447,433,515**	1,479,336,986
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	**10,921,262**	18,545,180
Retained earnings	23	**3,921,769,622**	3,701,620,122
Total equity attributable to the Parent Company's stockholders		**10,489,753,426**	10,277,227,844
Non-controlling interests	2	**366,558,216**	363,651,993
Total Equity		**10,856,311,642**	10,640,879,837
TOTAL LIABILITIES AND EQUITY		**P 12,303,745,157**	P 12,120,216,823

See Notes to Consolidated Financial Statements.

SOLID GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018
(Amounts in Philippine Pesos)

	Notes	2020	2019	2018
REVENUES				
Rendering of services	4, 25, 26	P 572,131,442	P 1,002,844,613	P 712,196,383
Sale of goods	2, 4, 25	276,666,679	1,260,257,164	2,715,142,584
Rentals	4, 12, 25, 27	242,738,137	250,909,722	239,165,721
Interest	5, 6, 25	83,134,829	143,812,108	78,961,388
Sale of real estate	2, 4	-	7,434,374	10,441,071
		1,174,671,087	2,665,257,981	3,755,907,147
COSTS OF SALES, SERVICES, RENTALS AND REAL ESTATE SALES	17, 18			
Cost of sales		245,864,891	1,177,968,051	2,399,848,715
Cost of services		442,230,852	717,825,559	553,139,496
Cost of rentals		64,992,451	97,799,308	96,678,793
Cost of real estate sales		-	3,796,170	6,620,959
		753,088,194	1,997,389,088	3,056,287,963
GROSS PROFIT		421,582,893	667,868,893	699,619,184
OTHER OPERATING EXPENSES (INCOME)				
General and administrative expenses	18	339,414,678	396,355,760	466,762,004
Selling and distribution costs	18	41,586,761	172,967,211	310,659,576
Other operating income - net	19	(308,408,291)	(333,405,776)	(339,125,056)
		72,593,148	235,917,195	438,296,524
OPERATING PROFIT		348,989,745	431,951,698	261,322,660
OTHER INCOME (CHARGES) - Net	20			
Finance income		48,574,546	95,908,274	88,352,339
Finance costs		(41,876,289)	(28,113,872)	(5,981,560)
Other gains - net		7,401,516	13,034,255	6,791,076
		14,099,773	80,828,657	89,161,855
PROFIT BEFORE TAX		363,089,518	512,780,355	350,484,515
TAX EXPENSE	22	140,033,795	286,215,361	95,979,889
NET PROFIT		P 223,055,723	P 226,564,994	P 254,504,626
Net profit attributable to the:				
Parent Company's stockholders	24	P 220,149,500	P 216,338,757	P 247,055,719
Non-controlling interests		2,906,223	10,226,237	7,448,907
		P 223,055,723	P 226,564,994	P 254,504,626
Basic and diluted earnings per share attributable to the Parent Company's stockholders	24	P 0.12	P 0.12	P 0.14

See Notes to Consolidated Financial Statements.

SOLID GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018
(Amounts in Philippine Pesos)

	Notes	2020	2019	2018
NET PROFIT		**P 223,055,723**	P 226,564,994	P 254,504,626
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	**(24,134,481)**	(17,022,948)	22,583,761
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of post-employment defined benefit plan	21, 23	**25,613,280**	(8,008,561)	42,312,769
Fair value gains (losses) on financial assets at fair value through other comprehensive income	7, 23	**(2,000,000)**	(1,000,000)	6,500,000
Tax income (expense)	22, 23	**(7,102,717)**	2,351,534	(13,657,306)
		16,510,563	(6,657,027)	35,155,463
Other comprehensive income (loss) – net of tax		**(7,623,918)**	(23,679,975)	57,739,224
TOTAL COMPREHENSIVE INCOME		**P 215,431,805**	P 202,885,019	P 312,243,850
Total comprehensive income attributable to:				
Parent Company's stockholders		**P 212,525,582**	P 192,658,782	P 304,794,943
Non-controlling interests		**2,906,223**	10,226,237	7,448,907
		P 215,431,805	P 202,885,019	P 312,243,850

See Notes to Consolidated Financial Statements.

SOLID GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018
(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, 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
Balance at January 1, 2018		P 2,030,975,000	P 4,641,701,922	(P 115,614,380)	(P 15,608,189)	P 3,457,172,686	P 9,998,627,039	P 345,976,849	P 10,344,603,888
Dividends declared	23	-	-	-	-	(109,292,520)	(109,292,520)	-	(109,292,520)
Derecognition of financial asset at fair value through other comprehensive income		-	-	-	94,120	(362,000)	(267,880)	-	(267,880)
Total comprehensive income for the year		-	-	-	57,739,224	247,055,719	304,794,943	7,448,907	312,243,850
Balance at December 31, 2018		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

See Notes to Consolidated Financial Statements.

SOLID GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018
(Amounts in Philippine Pesos)

	Notes	2020	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		**P 363,089,518**	P 512,780,355	P 350,484,515
Adjustments for:				
Fair value gains on investment property - net	12	**(265,736,169)**	(277,777,788)	(276,865,052)
Interest income	5, 6, 13, 20, 21, 25	**(113,841,478)**	(209,724,387)	(122,988,757)
Depreciation and amortization	10, 11, 13	**87,662,078**	105,965,285	77,494,526
Unrealized foreign currency exchange losses (gains) - net		**22,460,766**	14,298,162	(37,799,414)
Interest expense	10, 14, 21	**7,640,425**	10,478,314	4,690,998
Gain on sale of property and equipment	11	**(1,605,486)**	(482,899)	(1,211,597)
Interest amortization on refundable deposits	15, 20	**735,999**	717,325	689,536
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 derecognition of liabilities	15	**-**	(2,913,521)	(325,989)
Loss (gain) on discounting of refundable deposits	16	**-**	(225,755)	203,516
Operating profit (loss) before working capital changes		**101,197,580**	162,975,765	(5,627,718)
Decrease (increase) in short-term placements		**(2,564,031,366)**	43,667,952	(746,113,523)
Decrease in trade and other receivables - net		**258,536,084**	237,641,773	278,842,371
Decrease (increase) in advances to related parties		**(12,524,583)**	397,788	(222,585)
Decrease (increase) in merchandise inventories and supplies - net		**(39,263,072)**	605,613,854	(226,085,965)
Decrease (increase) in real estate inventories - net		**(803,571)**	(592,223)	4,076,909
Decrease (increase) in other current assets		**(135,537,281)**	45,588,532	3,919,161
Decrease (increase) in post-employment benefit asset		**(2,424,329)**	24,283,722	21,687,412
Decrease (increase) in other non-current assets		**(3,411,528)**	98,323,992	(100,792,713)
Increase (decrease) in trade and other payables		**(56,410,637)**	15,622,601	(46,705,648)
Increase (decrease) in customers' deposits		**2,985,721**	(2,843,212)	(1,181,129)
Decrease in advances from related parties		**-**	-	(1,911,535)
Increase (decrease) in refundable deposits		**4,201,839**	(7,049,403)	1,307,400
Increase (decrease) in post-employment benefit obligation		**9,823,207**	(13,218,762)	(11,149,230)
Cash generated from (used in) operations		**(2,437,661,936)**	1,210,412,379	(829,956,793)
Interest received		**79,937,523**	143,812,108	77,617,600
Cash paid for income taxes		**(75,282,009)**	(109,986,210)	(95,198,360)
Net Cash From (Used in) Operating Activities		**(2,433,006,422)**	1,244,238,277	(847,537,553)
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of property and equipment	11	**(70,135,750)**	(43,655,417)	(122,533,891)
Acquisitions of investment property	12	**(29,160,720)**	(55,367,255)	(58,866,599)
Interest received		**20,356,331**	52,229,599	42,422,471
Proceeds from disposal of property and equipment	11	**3,688,141**	5,301,779	22,242,328
Proceeds from disposal of investment property		**-**	-	3,774,000
Net Cash Used in Investing Activities		**(75,251,998)**	(41,491,294)	(112,961,691)
Balance carried forward		**(P 2,508,258,420)**	P 1,202,746,983	(P 960,499,244)

	Notes	2020	2019	2018
Balance brought forward		**(P 2,508,258,420)**	P 1,202,746,983	(P 960,499,244)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of interest-bearing loans	14	**(64,329,907)**	(55,781,712)	-
Repayment of lease liabilities	10	**(4,842,111)**	(5,640,553)	-
Interest paid	10, 14	**(3,761,754)**	(1,029,542)	(4,690,998)
Dividends paid	23	**-**	(109,292,520)	(109,292,520)
Proceeds from availment of interest-bearing loans		**-**	-	1,547,660
Net Cash Used in Financing Activities		**(72,933,772)**	(171,744,327)	(112,435,858)
Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		**8,493,085**	4,567,199	37,799,414
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(2,572,699,107)**	1,035,569,855	(1,035,135,688)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**3,491,034,266**	2,455,464,411	3,490,600,099
CASH AND CASH EQUIVALENTS AT END OF YEAR		**P 918,335,159**	P 3,491,034,266	P 2,455,464,411

Supplemental Information on Non-cash Investing and Financing Activities:

1. On January 1, 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*. In 2019, additional right-of-use assets and lease liabilities were recognized amounting to P5.7 million (see Note 10).

2. In 2018, the Group transferred certain property and equipment with carrying amount of P170.6 million to investment properties. There was no similar transaction in 2020 and 2019.

3. In 2018, the Group disposed of certain financial assets measured at fair value through other comprehensive income equivalent to its carrying amount of P0.3 million. 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, 2020, 2019 AND 2018
(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	**2020**	2019	2018	Notes	Nature of Business
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 pre-fabricated 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
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

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

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 offices 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 offices and principal places of business of the other subsidiaries are as follows:

BRL	-	2nd Floor, Abbott Building, P.O. Box 933, Road Town, Tortola, British Virgin Islands
Kita	-	N7175 Gil Puyat Ave. cor. Feati St., Clark Freeport Zone, Clarkfield, Pampanga
OSSI	-	Solid 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 Impact of COVID-19 Pandemic on the Group's Business

The coronavirus disease (COVID-19) started to become widespread in the Philippines in early March 2020. The measures taken by the government to contain the virus have affected economic conditions and the Group's business operations.

The following are the impact of the COVID-19 pandemic to the Group's business:

- decline in total revenues in 2020 by 55.9% or P1,490.6 million compared to that of 2019;
- decline in total costs of sales, services, rentals and real estate sales in 2020 by 62.3% or P1,244.3 million compared to that of 2019;
- decline in selling and distribution costs in 2020 by 76.0% or P131.4 million compared to that of 2019;
- recognition of impairment on trade and other receivables, advances to related parties, land and land development costs and intangible assets amounting to P13.0 million, P5.7 million, P0.6 million and P0.3 million, respectively (see Notes 6.7, 9.1, 13.1, 18 and 25.4);
- temporary closure of hotels and branches and suspension of operations;
- retrenchment of employees;
- rental discounts were granted upon request by several lessees;
- SMFI granted two to four months grace period to its customers for the repayment of loans as mandated under RA No. 11469, *Bayanihan to Heal as One Act*; and,
- additional administrative expenses were incurred to ensure health and safety of its employees such as frequent disinfection of workplace, provision of protective equipment such as face masks, face shields and alcohol and COVID-19 testing for the employees.

In response to this matter, the Group has taken the following actions:

- 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);
- deferred payment of annual dividends;
- entered into transaction with certain government agencies for the sale of prefabricated modular houses as quarantine facilities (see Note 4.1);
- implemented cost-saving strategies such as reduction of expenses incurred for equipment costs, advertising and promotions, transportation and travel, installation costs and utilities and communication;
- implemented safety measures and activated business continuity plan; and,
- implemented a flexible working arrangement to lessen exposure of the employees to the virus.

Based on the above actions and measures taken by management to mitigate the adverse effect of the pandemic, it projects that the Group would continue to report positive results of operations and would remain liquid to meet current obligation as it falls due. Accordingly, management has not determined material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.

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, 2020 (including the comparative consolidated financial statements as of December 31, 2019 and for the years ended December 31, 2019 and 2018) were authorized for issue by the Parent Company's BOD on April 8, 2021.

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) 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.

(c) Functional and Presentation Currency

These consolidated financial statements are presented in Philippine pesos, the Group's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the consolidated financial statements of the Group are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the Group operates.

2.2 Adoption of New and Amended PFRS

(a) Effective in 2020 that are Relevant to the Group

The Group adopted for the first time the following amendments to existing standards and revised conceptual framework, which are mandatorily effective for annual periods beginning on or after January 1, 2020:

Conceptual Framework	:	Revised Conceptual Framework for Financial Reporting
PAS 1 and PAS 8 (Amendments)	:	Presentation of Financial Statements and Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material
PFRS 3 (Amendments)	:	Business Combinations – Definition of a Business
PFRS 7 and PFRS 9 (Amendments)	:	Financial Instruments: Disclosures and Financial Instruments – Interest Rate Benchmark Reform
PFRS 16 (Amendments)	:	Leases – COVID-19 – Related Rent Concessions

Discussed below and in the succeeding page are the relevant information about these pronouncements.

(i) *Revised Conceptual Framework for Financial Reporting.* The revised conceptual framework will be used in standard-setting decisions with immediate effect. Key changes include (a) increasing the prominence of stewardship in the objective of financial reporting, (b) reinstating prudence as a component of neutrality, (c) defining a reporting entity, which may be a legal entity, or a portion of an entity, (d) revising the definitions of an asset and a liability, (e) removing the probability threshold for recognition and adding guidance on derecognition, (f) adding guidance on different measurement basis, and, (g) stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements. The application of the revised conceptual framework had no significant impact on the Group's financial statements.

(ii) PAS 1 (Amendments), *Presentation of Financial Statements,* and PAS 8 (Amendments), *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material.* The amendments provide a clearer definition of 'material' in PAS 1 by including the concept of 'obscuring' material information with immaterial information as part of the new definition, and clarifying the assessment threshold (i.e., misstatement of information is material if it could reasonably be expected to influence decisions made by primary users, which consider the characteristic of those users as well as the entity's own circumstances). The definition of material in PAS 8 has been accordingly replaced by reference to the new definition in PAS 1. In addition, amendment has also been made in other standards that contain definition of material or refer to the term 'material' to ensure consistency. The application of these amendments had no significant impact on the Group's financial statements.

(iii) PFRS 3 (Amendments), *Business Combinations – Definition of a Business.* The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term 'outputs' is amended to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. Also, the amendments will likely result in more acquisitions being accounted for as asset acquisitions. The application of these amendments had no significant impact on the Group's financial statements.

(iv) PFRS 7 (Amendments), *Financial Instruments: Disclosures,* and PFRS 9 (Amendments), *Financial Instruments – Interest Rate Benchmark Reform.* The amendments clarify that an entity would continue to apply certain hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform. The application of these amendments had no significant impact on the Group's financial statements.

(v) The Group elected to adopt early PFRS 16 (Amendments), *Leases – COVID-19 – Related Rent Concessions*, which is effective for annual reporting periods beginning on or after June 30, 2020. The amendments permit lessees, as a practical expedient, not to assess whether particular rent concessions 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 Group applied this practical expedient to all its leases where it received rent concessions. The application of these amendments had no significant impact on the Group's consolidated financial statements.

(b) Effective Subsequent to 2020 but not Adopted Early

There are pronouncements effective for annual periods subsequent to 2020, which are adopted by the FRSC. Management will adopt the relevant pronouncements below and in the succeeding page in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Group's financial statements.

(i) PAS 16 (Amendments), *Property, Plant and Equipment – Proceeds Before Intended Use* (effective January 1, 2022). The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.

(ii) PAS 37 (Amendments), *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract* (effective January 1, 2022). The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labor, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

(iii) PFRS 3 (Amendments), *Business Combination – Reference to the Conceptual Framework* (effective January 1, 2022). The amendments update an outdated reference to the Conceptual Framework in PFRS 3 without significantly changing the requirements in the standard.

(iv) Annual Improvements to PFRS 2018-2020 Cycle. Among the improvements, the following amendments, which are effective from January 1, 2022, are relevant to the Group:

a. PFRS 9 (Amendments), *Financial Instruments – Fees in the '10 percent' Test for Derecognition of Liabilities*. The improvements clarify the fees that a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

b. Illustrative Examples Accompanying PFRS 16, *Leases – Lease Incentives*. The improvement merely removes from the example the illustration of the reimbursement of leasehold improvements by lessor in order to resolve any potential confusion regarding the treatment of lease incentives.

(v) PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current* (effective January 1, 2023). The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

(vi) 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). The amendments to PFRS 10 require full recognition in the investor's financial statements of gains or losses arising on the sale or contribution of assets that constitute a business as defined in PFRS 3 between an investor and its associate or joint venture.

Accordingly, the partial recognition of gains or losses (i.e., to the extent of the unrelated investor's interests in an associate or joint venture) only applies to those sale of contribution of assets that do not constitute a business. Corresponding amendments have been made to PAS 28 to reflect these changes. In addition, PAS 28 has been amended to clarify that when determining whether assets that are sold or contributed constitute a business, an entity shall consider whether the sale or contribution of those assets is part of multiple arrangements that should be accounted for as a single transaction.

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 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) 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).

(i) Classification and Measurement of Financial Assets

The classification and measurement of financial assets are driven by the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The classification and measurement of financial assets are described below and in the succeeding pages:

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 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, Advances to Related Parties, 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 Fair Value Through Other Comprehensive Income (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 fair value through profit or loss (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.

Any dividends earned on holding equity instruments 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.

Interest income on financial assets measured at amortized cost and debt financial assets measured at FVOCI is 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.

The Group can only reclassify financial assets if the objective of its business model for managing those financial assets changes. Accordingly, the Group is required to reclassify financial assets: (i) from amortized cost to FVTPL, if the objective of the business model changes so that the amortized cost criteria are no longer met; and, (ii) from FVTPL to amortized cost, if the objective of the business model changes so that the amortized cost criteria start to be met and the characteristic of the instrument's contractual cash flows meet the amortized cost criteria.

A change in the objective of the Group's business model will take effect only at the beginning of the next reporting period following the change in the business model.

(ii) Impairment of Financial Assets

At the end of the reporting period, the Group assesses and recognizes its 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 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, which 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, are recognized when the Group becomes a party to the contractual terms of the instrument. All interest-related charges are recognized as an expense in profit or loss 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. The outstanding amount of interest-bearing loans is nil as of December 31, 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 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 the Other Current Assets 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.

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 warranty 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*

(i) *Accounting for Leases in Accordance with PFRS 16 (2020 and 2019)*

For any new contracts entered into on or after January 1, 2019, 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.

(ii) Accounting for Leases in Accordance with PAS 17 (2018)

Leases which do not transfer to the Group substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments (net of any incentive received from the lessor) are recognized as expense in profit or loss on a straight-line basis over the lease term. Associated costs, such as repairs and maintenance and insurance, are expensed as incurred.

The Group determines whether an arrangement is, or contains, a lease based on the substance of the arrangement. It makes an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

(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) Profit-sharing and Bonus Plans

The Group recognizes a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Group's shareholders after certain adjustments. The Group recognizes a provision where it is contractually obliged to pay the benefits, or where there is a past practice that has created a constructive obligation.

(e) Compensated Absences

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of the reporting period. They are included in Trade and Other Payables account in the consolidated statement of financial position at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

2.19 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.

For income tax purposes, interest and other borrowing costs are charged to expense when incurred.

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 is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax 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 12-month period that breaches the materiality threshold of 10% of the Group's consolidated total assets based on the latest consolidated audited financial statements, the same board approval would be required for the transactions that meet and exceeds the materiality threshold covering the same related party.

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 (2020 and 2019)

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 and Advances to Related Parties

The Group uses a provision matrix to calculate ECL for trade 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, 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 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, PFRS 9 notes that 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 and advances to related parties are disclosed in Notes 6, 25.4, 28.2(b) and 28.2(c).

(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 (2020 and 2019)

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) and 28.2(c).

(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 right-of-use assets, property and equipment and intangible assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical/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 at December 31, 2020 and 2019, 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 at December 31, 2020 and 2019 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) Distribution (previously categorized as Digital mobile) is involved in the sale of mobile phones and devices, and sale of prefabricated modular houses for 2020 as part of the Group's response to COVID-19 pandemic;

(b) Property and related services is involved in the leasing, development and sale of industrial and other real estate properties and hotel and restaurant operations;

(c) Technical support and solutions is presently engaged in the business of sale of professional audio and video equipment, after sales services, warehousing and distribution; and,

(d) Investment and others include investment holding companies, and those included in the business of financing and credit extension.

Segment accounting policies are the same as the policies described in Note 2.4.

4.2 Segment Assets and Liabilities

Segment assets 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 following tables present certain asset and liability information regarding business segments as at December 31, 2020, 2019 and 2018 and the related revenue and profit information for each of the three years in the period ended December 31, 2020 (amounts in thousands):

	Distribution	Property and Related Services	Technical Support and Solutions	Investments and Others	Total
2020					
SEGMENT RESULTS					
Sales to external customers	P 205,562	P 238,211	P 577,235	P 153,663	P 1,174,671
Intersegment sales	16,566	72,022	16,836	221,000	326,424
Total revenues	222,128	310,233	594,071	374,663	1,501,095
Cost of sales, services, and rentals	155,718	163,051	421,524	90,040	830,333
Other operating expenses (income)	119,317	(190,199)	146,808	107,814	183,740
Operating profit (loss)	(52,907)	337,381	25,739	176,809	487,022
Finance income	3,633	11,225	4,683	29,011	48,552
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	(68,139)	351,270	32,996	191,647	507,774
Tax expense	2,961	113,990	9,928	13,225	140,104
Net profit (loss)	**(P 71,100)**	**P 237,280**	**P 23,068**	**P 178,422**	**P 367,670**
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**

	Digital Mobile	Property and Related Services	Technical Support and Solutions	Investments and Others	Total
2019					
SEGMENT RESULTS					
Sales to external customers	P 1,091,710	P 413,297	P 972,688	P 187,563	P 2,665,258
Intersegment sales	340	95,408	30,365	85,850	211,963
Total revenues	1,092,050	508,705	1,003,053	273,413	2,877,221
Cost of sales, services, and rentals	1,012,073	265,305	715,513	87,967	2,080,858
Other operating expenses (income)	256,109	(177,076)	165,244	95,070	339,347
Operating profit (loss)	(176,132)	420,476	122,296	90,376	457,016
Finance income	16,001	28,449	6,300	45,158	95,908
Finance costs	(8,017)	(14,761)	(4,070)	(11,127)	(37,975)
Other gains (losses) – net	(1,076)	3,982	7,944	2,185	13,035
Profit (loss) before tax	(169,224)	438,146	132,470	126,592	527,984
Tax expense	101,202	125,087	40,414	19,512	286,215
Net profit (loss)	(P 270,426)	P 313,059	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
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
2018					
SEGMENT RESULTS					
Sales to external customers	P 2,431,821	P 378,790	P 807,573	P 137,723	P 3,755,907
Intersegment sales	721	70,933	38,718	391,938	502,310
Total revenues	2,432,542	449,723	846,291	529,661	4,258,217
Cost of sales, services, and rentals	2,184,674	245,119	620,687	79,179	3,129,659
Other operating expenses (income)	486,861	(161,773)	147,092	52,118	524,298
Operating profit (loss)	(238,993)	366,377	78,512	398,364	604,260
Finance income	27,571	33,033	13,568	17,483	91,655
Finance costs	(1,723)	(2,155)	-	(4,689)	(8,567)
Other gains – net	7,281	4,692	1,168	367	13,508
Profit (loss) before tax	(205,864)	401,947	93,248	411,525	700,856
Tax expense (income)	(43,952)	99,330	27,366	13,235	95,979
Net profit (loss)	(P 161,912)	P 302,617	P 65,882	P 398,290	P 604,877
SEGMENT ASSETS AND LIABILITIES					
Total assets	P 1,785,364	P 6,286,477	P 883,926	P 8,569,677	P 17,525,444
Total liabilities	P 1,477,122	P 2,039,172	P 174,019	P 407,494	P 4,097,807

	Digital Mobile	Property and Related Services	Technical Support and Solutions	Investments and Others	Total
OTHER SEGMENT INFORMATION					
Capital expenditures	P 6,900	P 130,024	P 47,065	P 2,208	P 186,197
Depreciation and amortization	1,830	42,616	27,119	691	72,256
Impairment loss	-	930	4,166	96	5,192

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
2020			
Revenues	**P 1,501,095**	**(P 326,424)**	**P 1,174,671**
Net profit for the year	**367,670**	**(144,614)**	**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 2,877,221	(P 211,963)	P 2,665,258
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
2018			
Revenues	P 4,258,217	(P 502,310)	P 3,755,907
Net profit for the year	604,877	(350,372)	254,505
Total assets	17,525,444	(5,566,996)	11,958,448
Total liabilities	4,097,807	(2,686,646)	1,411,161
Other segment information:			
Capital expenditures	186,197	(4,797)	181,400
Depreciation and amortization	72,256	5,239	77,495
Impairment losses*	5,192	-	5,192

**The amount of impairment loss for 2020, 2019 and 2018 is gross of reversal of allowance for impairment losses totaling to P2,401, P2,762 and P379, 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 in 2020 and 2019 and PAS 17 in 2018 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**	**Total**
December 31, 2020				
Distribution	P 144,416	P 61,146	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	-	93,167
	P 276,667	**P 572,131**	**P 242,738**	**P 1,091,536**
December 31, 2019				
Digital mobile	P 1,031,276	P 60,434	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	-	90,840
	P 1,267,691	P 1,002,845	P 250,910	P 2,521,446
December 31, 2018				
Digital mobile	P 2,431,821	P -	P -	P 2,431,821
Technical support and solutions	268,032	470,673	-	738,705
Rentals	-	-	239,166	239,166
Property and building	25,731	159,805	-	185,536
Investments and others	-	81,718	-	81,718
	P 2,725,584	P 712,196	P 239,166	P 3,676,946

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.

The Group's revenues also include interest income from short-term placements and loans receivable amounting to P83.1 million, P143.8 million and P79.0 million in 2020, 2019 and 2018, respectively, and is presented as Interest under Revenues in the consolidated statements of income (see Notes 5 and 6.3).

5. CASH AND CASH EQUIVALENTS AND SHORT-TERM PLACEMENTS

5.1 Cash and Cash Equivalents

Cash and cash equivalents include the following components as at December 31:

	2020	2019
Cash on hand and in banks	**P 381,955,327**	P 577,481,692
Cash equivalents	**536,379,832**	2,913,552,574
	P 918,335,159	P 3,491,034,266

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 2020, from 0.4% to 6.5% in 2019 and from 0.5% to 6.5% in 2018.

Interest income earned from cash in banks and cash equivalents are presented as part of Finance Income under Other Income (Charges) account in the consolidated statements of income (see Note 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 P3,326.5 million and P762.4 million as of December 31, 2020 and 2019, respectively, with maturity periods varying between 91 to 294 days in 2020, between 120 to 180 days in 2019 and between 122 days to 132 days in 2018, and earn effective interest ranging from 0.52% to 4.25% in 2020 and 4.0% and 6.25% in 2019 and 2018, respectively.

Interest income earned from short-term placements is presented as part of Interest under Revenues account in the consolidated statements of income (see Note 4.6). 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	2020	2019
Current:			
Trade receivables	6.1, 25.5, 25.8, 25.9, 26.1, 26.3	**P 265,387,193**	P 314,675,265
Advances to:			
Suppliers	6.2, 25.1	**80,375,049**	274,495,014
Officers and employees	6.2, 25.10	**2,843,312**	1,561,388
Loans receivables	6.3, 25.3	**23,152,970**	42,722,837
Interest receivable	5	**8,270,753**	5,073,447
Rental receivables	6.5, 25.2	**6,063,870**	4,710,220
Non-trade receivables		**5,155,456**	25,585,876
Other receivables	6.6	**38,036,891**	46,519,344
		429,285,494	715,343,391
Allowance for impairment	6.7	**(114,129,144)**	(103,783,088)
		315,156,350	611,560,303
Non-current:			
Trade receivables		**8,163,915**	12,686,042
Loans receivables	6.3, 25.3	**15,775,309**	46,499
Cash surrender value of investment in life insurance	6.4, 14	**726,956,155**	738,420,128
		750,895,379	751,152,669
Allowance for impairment	6.7	**-**	(3,468)
		750,895,379	751,149,201
		P 1,066,051,729	P 1,362,709,504

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 2020 and 9.75% to 18.00% in 2019 and 2018, 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 income earned from real estate sales amounted to P1.2 million in 2020 and P1.6 million in both 2019 and 2018, and is presented as part of Finance Income under Other Income (Charges) account in the consolidated statements of income (see Note 20.2).

Trade receivables from sale of goods 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 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.

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, SMFI granted its borrowers the deferral of payments of principal and interest due for two to four months. The management assessed that the impact of deferral has no material impact on the Group's consolidated financial statements.

Interest income recognized on the Group's loans receivables amounted to P5.1 million, P6.8 million, and P6.6 million in 2020, 2019 and 2018, respectively, and are presented as part of Interest under the Revenues account of the consolidated statements of income (see Note 4.6). The effective interest rates on loans receivables range from 4.0% to 36.0% in 2020, from 8.0% to 30.0% in 2019 and from 7.5% to 30% in 2018.

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 in the consolidated statements of income (see Note 20.2). In 2020, 2019 and 2018, the increase in cash surrender value amounted to P28.2 million, P43.5 million and P6.4 million, respectively.

The cash surrender value of the investment in life insurance is used as collateral for interest-bearing loans obtained by BRL (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. PFRS 16 rent receivables amounted to P6.1 million and P4.7 million as of December 31, 2020 and 2019, respectively.

6.6 Other Receivables

Other receivables include amounts due from credit card companies for the sale of CCTV. This also includes deposits to supplier, 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 rent 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 2020 and 2019 is shown below.

	2020	2019
Balance at beginning of year	**P 103,786,556**	P 103,174,902
Impairment losses during the year	**15,394,411**	5,072,960
Reversal of impairment losses	**(2,400,558)**	(2,762,396)
Write-off of receivable	**(2,651,265)**	(1,698,910)
Balance at end of year	**P 114,129,144**	P 103,786,556

The impairment losses and reversal of impairment losses is presented 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. 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, 2020 and 2019.

On the other hand, the fair values of the Group's investments in club shares amounting to P24.1 million and P26.1 million, which represent proprietary membership club shares, as of December 31, 2020 and 2019, 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).

In 2018, the Group derecognized certain equity securities with original cost of P362,000 and fair value of P267,880 as of December 31, 2018. Accumulated fair value loss amounting to P94,120 is presented as an addition to Revaluation Reserves in the 2018 consolidated statement of changes in equity (see Note 23.3). There was no similar transaction in 2020 and 2019.

A reconciliation of the net carrying amounts of financial assets at FVOCI is shown below.

	Note	**2020**	2019
Balance at beginning of year		**P 26,100,000**	P 27,100,000
Fair value losses - net	23.3	**(2,000,000)**	(1,000,000)
Balance at end of year		**P 24,100,000**	P 26,100,000

The recognized fair value 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.

8. MERCHANDISE INVENTORIES AND SUPPLIES

Inventories at the end of 2020 and 2019 were stated at lower of cost or NRV. The details of inventories are shown below.

	Note	2020	2019
At cost:			
Merchandise inventories	17.1	**P 43,313,910**	P 40,219,145
Service parts, supplies and others		**33,936,488**	42,076,305
		77,250,398	82,295,450
At NRV:			
Merchandise inventories	17.1	**174,648,907**	140,051,166
Service parts, supplies and others		**14,462,950**	6,722,839
		189,111,857	146,774,005
		266,362,255	229,069,455
Allowance for inventory obsolescence		**(68,006,585)**	(69,976,857)
		P 198,355,670	P 159,092,598

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	2020	2019
Balance at beginning of year		**P 69,976,857**	P 78,627,352
Provision for inventory obsolescence	17.1, 18	**8,443,330**	3,015,402
Reversal of allowance for inventory obsolescence	17.1, 18	**(10,413,602)**	(11,665,897)
		P 68,006,585	P 69,976,857

In 2020, 2019 and 2018, the Group made a reversal of provision for the write-down of inventories amounting to P10.4 million, P11.7 million and P69.5 million, respectively, upon sale of those inventories. The reversal is included as an adjustment to Cost of Sales in the consolidated statements of comprehensive income (see Notes 17.1 and 18).

The Group has no outstanding purchase commitment for the acquisition of merchandise inventories and supplies as at December 31, 2020 and 2019.

An analysis of the cost of inventories charged to operations in 2020, 2019 and 2018 is presented in Note 17.1.

9. REAL ESTATE INVENTORIES

This account is composed of:

	2020	2019
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)**	(2,022,800)
	36,879,222	37,524,022
Property development costs – Construction in progress and development costs	**400,248,973**	399,445,402
	P 437,128,195	P 436,969,424

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, 2020 and 2019, 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 2019 and 2018.

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, the related provision is nil as of December 31, 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 ZTC, which are also for sale. Property development costs at the end of each reporting period 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; while the construction of Tower 3 has not yet started, it has incurred expenses for the planning phase as of December 31, 2020 and 2019. 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 (see Note 1.3).

10. LEASES

The Group is a lessee under non-cancellable operating leases covering certain business spaces and satellite offices. The lease for these offices 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 P19.2 million and P14.6 million as of December 31, 2020 and 2019 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, 2020 and 2019, including the movements during the reporting period are shown below.

	2020	2019
Balance at beginning of year	**P 14,762,222**	P 15,325,724
Additions	**-**	5,678,306
Amortization	**(5,212,925)**	(6,241,808)
Balance at end of year	**P 9,549,297**	P 14,762,222

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, 2020 and 2019 as follows:

	2020	2019
Current	**P 4,150,895**	P 4,880,092
Non-current	**6,370,471**	10,483,385
	P 10,521,366	P 15,363,477

The movements in the lease liabilities recognized in the consolidated statements of financial position as of December 31 are as follows:

	2020	2019
Balance at beginning of year	**P 15,363,477**	P 15,325,724
Additional lease liabilities	**-**	5,678,306
Interest accretion	**823,728**	1,027,210
Repayments of lease liabilities	**(5,665,839)**	(6,667,763)
	P 10,521,366	P 15,363,477

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
Office space	8	1 year and 4 months to 3 years and 11 months	2 years and 6 months	6	-

As of December 31, 2020 and 2019, the Group has no commitments for leases entered into which had not commenced.

The undiscounted maturity analysis of lease liabilities at December 31, 2020 and 2019 is as follows:

	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Total
December 31, 2020						
Lease payments	P 4,727,271	P 3,795,991	P 2,255,438	P 767,960	P -	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 -**	**P 10,521,366**
December 31, 2019						
Lease payments	P 5,739,688	P 4,689,290	P 3,795,991	P 2,255,438	P 767,960	P 17,248,367
Finance charges	(859,596)	(576,376)	(304,380)	(125,161)	(19,377)	(1,884,890)
Net present values	P 4,880,092	P 4,112,914	P 3,491,611	P 2,130,277	P 748,583	P 15,363,477

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, 2020 and 2019 is allocated in the consolidated statements of income as follows:

	Notes	**2020**	2019
Cost of services	17.2	**P 6,366,409**	P 6,679,699
Cost of rental	17.3	**7,203,364**	16,029,015
General and administrative expenses		**2,055,517**	3,628,000
	18	**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 payment, amounted to P5.7 million and P6.7 million in 2020 and 2019. Interest expense in relation to lease liabilities amounted to P0.8 million and P1.0 million, and is presented as part of Finance costs under Other Income (Charges) account 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 2020 and 2019 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, 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**
December 31, 2019											
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
January 1, 2019											
Cost	P 1,277,854,682	P 343,390,748	P 183,035,601	P 254,294,087	P 181,549,802	P 11,736,904	P 84,063,933	P 109,739,118	P 86,118,965	P 39,506,874	P 2,571,290,714
Accumulated depreciation and amortization	-	(88,848,621)	(115,575,943)	(201,778,219)	(118,013,724)	(10,269,976)	(72,205,178)	(92,777,453)	(59,849,880)	-	(759,318,994)
Accumulated impairment losses	-	(35,000,000)	-	-	-	-	-	-	-	(14,346,250)	(49,346,250)
Net carrying amount	P 1,277,854,682	P 219,542,127	P 67,459,658	P 52,515,868	P 63,536,078	P 1,466,928	P 11,858,755	P 16,961,665	P 26,269,085	P 25,160,624	P 1,762,625,470

A reconciliation of the carrying amounts of property and equipment at the beginning and end of 2020 and 2019 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, 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**
Balance at January 1, 2019, net of accumulated depreciation, amortization and impairment losses	P 1,277,854,682	P 219,542,127	P 67,459,658	P 52,515,868	P 63,536,078	P 1,466,928	P 11,858,755	P 16,961,665	P 26,269,085	P 25,160,624	P 1,762,625,470
Additions	-	-	2,434,910	10,673,276	9,157,125	1,430,357	1,732,740	2,074,573	12,785,743	3,366,693	43,655,417
Reclassifications	-	-	4,399,997	165,536	10,964,286	-	-	-	-	(15,529,819)	-
Derecognition	-	-	-	-	-	-	-	-	(9,860,674)	-	(9,860,674)
Disposals – net	-	-	-	(118,569)	(1,184,507)	-	-	-	-	(3,515,804)	(4,818,880)
Depreciation and amortization charges for the year	-	(18,232,985)	(21,127,032)	(21,733,894)	(21,814,316)	(796,147)	(2,032,823)	(5,173,791)	(6,398,869)	-	(97,309,857)
Balance at December 31, 2019, 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

Construction in progress pertains to accumulated costs incurred on building improvements being constructed in various properties of the Group. In 2020 and 2019, no borrowing costs were capitalized.

In 2020 and 2019, the Group sold certain property and equipment with carrying amounts of P2.1 million and P4.8 million, respectively. Aside from these assets, the Group also disposed of certain fully-depreciated property and equipment with original cost of P3.5 million and P1.8 million in 2020 and 2019, respectively. The Group recognized gain on disposal of these property and equipment totaling P1.6 million, P0.5 million and P1.2 million in 2020, 2019 and 2018, respectively, which are presented as part of Other Gains – net account 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 2020.

The cost of fully depreciated property and equipment still used in operations amounted to P460.5 million and P409.5 million as of December 31, 2020 and 2019, respectively.

The amount of depreciation and amortization computed on property and equipment is presented as part of the following accounts:

	Notes	**2020**	2019	2018
Cost of services	17.2	**P 49,391,061**	P 38,880,942	P 45,432,147
Cost of rentals	17.3	**16,074,574**	30,101,396	9,565,245
General and administrative expenses		**16,873,350**	28,327,519	22,328,334
	18	**P 82,338,985**	P 97,309,857	P 77,325,726

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 2020.

As of December 31, 2020 and 2019, none of the Group's property and equipment were held as collateral for loans. Further, no impairment losses were recognized in 2020, 2019 and 2018 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, 2020 and 2019.

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 P242.7 million, P250.9 million and P239.2 million in 2020, 2019 and 2018, respectively, and are presented as Rentals under Revenues account 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 at December 31, 2020 and 2019 were determined based on appraisal report dated October 30, 2020 and 2019. 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
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**
2019:				
Balance at beginning of year	P 2,527,112,934	P 874,353,170	P 4,975,802	P 3,406,441,906
Additions	3,184,125	1,663,406	50,519,724	55,367,255
Fair value gains (losses) on investment property – net (see Note 19)	328,175,447	(50,397,659)	-	277,777,788
Reclassification	8,960,000	(4,193,337)	(4,230,949)	535,714
Balance at end of year	P 2,867,432,506	P 821,425,580	P 51,264,577	P 3,740,122,663

In 2020 and 2019, the Group incurred expenses amounting to P9.5 million and P2.9 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. There were no borrowing costs that were capitalized in 2020 and 2019.

The fair value gains (losses) on investment properties is presented under Other Operating Income – net account in the consolidated statements of income (see Note 19).

As of December 31, 2020 and 2019, 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	2020	2019
Current:			
Deferred costs	13.4	**P 114,888,306**	P 7,289,955
Creditable withholding taxes		**111,424,923**	107,607,776
Input VAT – net		**59,372,844**	50,717,203
Prepayments	13.4	**25,770,054**	21,780,278
Deferred input VAT – net		**19,819,019**	10,756,137
Refundable deposits	10	**16,144,935**	9,433,214
Others	13.4	**4,039,123**	4,520,213
		351,459,204	212,104,776
Non-current:			
Intangible assets	13.1	**13,086,188**	5,042,784
Deposits to suppliers	13.4	**3,347,774**	3,347,774
Refundable deposits	10	**3,063,328**	5,189,398
Cash bond	13.2	**680,834**	680,834
Others	13.4	**6,293,668**	9,181,769
		26,471,792	23,442,559
		P 377,930,996	P 235,547,335

13.1 Intangible Assets

The gross carrying amounts and accumulated amortization of intangible assets as of December 31 are shown below.

	2020	2019
Cost	**P 33,527,829**	P 25,102,130
Accumulated amortization	**(20,441,641)**	(20,059,346)
Net carrying amount	**P 13,086,188**	P 5,042,784

A reconciliation of the carrying amounts of intangible assets at the beginning and end of 2020 and 2019 is shown below.

	2020	2019
Balance at the beginning of year, net of accumulated amortization	**P 5,042,784**	P 639,783
Additions	**8,425,699**	4,545,454
Impairment loss	**(272,127)**	-
Reclassification from deposit to suppliers	**-**	2,271,167
Amortization during the year	**(110,168)**	(2,413,620)
Balance at end of year, net of accumulated amortization	**P 13,086,188**	P 5,042,784

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 account in the 2020 consolidated statement of income (see Note 18). No impairment loss on intangible asset was recognized in 2019 and 2018 as the recoverable amount of intangible asset determined by management is higher than its carrying value.

In 2019, the Group reclassified certain Deposits to suppliers to System software amounting to P2.3 million. There was no similar transaction in 2020.

Amortization charges amounting to P0.1 million, P2.4 million and P0.2 million in 2020, 2019 and 2018, respectively, are presented as part of Depreciation and amortization under General and Administrative Expenses account 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 2020 and 2019 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, 2020 and 2019, 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) account in the 2019 consolidated statement of income (see Note 20.2).

13.4 Others

Deferred costs by the Group represent cost of inventories which have not been charged to cost of sales pending the completion of its projects.

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.

Others 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.

14. INTEREST-BEARING LOANS

The Group's short-term interest-bearing loans amounting to P68.0 million ($1.3 million) as of December 31, 2019 (nil as of December 31, 2020), pertains to loan of BRL which are denominated in USD and is currently due within 12 months after the end of reporting period; hence, classified as part of the Group's current liabilities in the 2019 consolidated statement of financial position.

The movements on this account are as follows:

	2020		2019	
	USD	**PHP**	USD	PHP
Balance at beginning of year	**$ 1,339,202**	**P 67,956,468**	$ 2,347,889	P 123,790,100
Repayment of loans	**(1,339,202)**	**(64,329,907)**	(1,099,277)	(55,781,712)
Roll-over of interest on loans	**-**	**-**	90,590	4,601,292
Translation adjustment	**-**	**(3,626,561)**	-	(4,653,212)
Balance at end of year	**$ -**	**P -**	$ 1,339,202	P 67,956,468

The loans of BRL are secured by a portion of the cash surrender value of investment in life insurance as of December 31, 2020 and 2019 (see Note 6.4). The 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, from 3.84% to 3.90% in 2019 and from 2.50% to 3.84% in 2018.

Interest expense arising from these loans amounted to P1.0 million, P3.1 million and P4.7 million in 2020, 2019 and 2018, respectively, and is shown as part of Finance costs under Other Income (Charges) account in the consolidated statements of income (see Note 20.1). The related outstanding interest amounting to $0.042 million (P2.2 million) as of December 31, 2019 is presented as part of Accrued expenses under Trade and Other Payables account in the 2019 consolidated statement of financial position (see Note 15).

There were no outstanding bank loans and interest as these were fully settled as of December 31, 2020.

The Group has no significant loan covenants as of December 31, 2020 and 2019.

15. TRADE AND OTHER PAYABLES

This account consists of:

	Notes	**2020**	2019
Trade payables	25.1	**P 234,351,992**	P 198,656,580
Accrued expenses	14	**38,614,841**	38,867,840
Refundable deposits	25.2	**33,946,295**	38,345,417
Unearned rental		**20,896,173**	19,682,227
Non-trade payables		**17,349,457**	62,692,440
Deferred output VAT		**14,940,738**	11,156,069
Advances from customers		**5,853,920**	6,289,479
Rentals payable		**4,278,523**	4,278,523
Accrued dealers' incentives		**4,266,497**	21,957,590
Output VAT		**4,178,219**	13,705,780
Withholding taxes payable		**3,717,138**	4,505,048
Reserve for warranty costs		**1,152,611**	1,737,041
Retention payable		**307,043**	833,829
Other payables	9.1	**13,342,093**	16,034,987
		P 397,195,540	P 438,742,850

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 4.58% to 6.25% at the inception of the lease term. The Group recognized a gain amounting to P0.2 million in 2019 and a loss amounting to P0.2 million in 2018 from discounting of refundable deposits. These are presented as part of Finance income and Finance costs, respectively, under Other Income (Charges) account in the consolidated statements of income (see Notes 20.2 and 20.1). No gain or loss on discounting was recognized in 2020. On the other hand, interest expense recognized from the amortization of refundable deposits amounting to P0.7 million in 2020, 2019 and 2018 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	**2020**	2019
Balance at beginning of year		**P 1,737,041**	P 2,623,381
Actual warranty claims		**(543,774)**	(16,860,145)
Reversal of reserve for warranty claims	19	**(40,656)**	(795,043)
Provisions for warranty claims	18	**-**	16,768,848
Balance at end of year		**P 1,152,611**	P 1,737,041

In 2019 and 2018, additional provision for warranty claims is recognized and is presented under General and Administrative Expenses account in the 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 2019 and 2018, 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 P2.9 million and P0.3 million, respectively, are presented as part of Other Gains – net in the 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 P28.9 million and P23.5 million as at December 31, 2020 and 2019, respectively. The refundable deposits are remeasured at amortized cost using the effective interest ranging from 3.48% to 6.25% at the inception of the lease terms.

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). On the other hand, in 2018, SMC recognized loss on discounting of its refundable deposits amounting to P0.2 million and is presented as part of Finance Costs in the 2018 consolidated statement of income (see Note 20.1). No gain or loss on discounting was recognized in 2020.

In 2019, Kita returned to its lessees certain security deposits amounting to P5.2 million. There was no similar transaction occurred in 2020.

The refundable deposits with maturity of more than one year are shown as a separate line item under Non-current Liabilities account in 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	**2020**	2019	2018
Merchandise inventories at beginning of year	8	**P 180,270,311**	P 798,017,743	P 641,446,868
Net purchases of merchandise inventories during the year	18, 25.1	**285,527,669**	568,871,114	2,625,034,510
Goods available for sale		**465,797,980**	1,366,888,857	3,266,481,378
Merchandise inventories at end of year	8	**(217,962,817)**	(180,270,311)	(798,017,743)
Net reversal of allowance for inventory obsolescence	8	**(1,970,272)**	(8,650,495)	(68,614,920)
	18	**P 245,864,891**	P 1,177,968,051	P 2,399,848,715

17.2 Cost of Services

The following are the breakdown of direct costs and expenses from rendering of services:

	Notes	**2020**	2019	2018
Service fees	26.3	**P 90,039,141**	P 87,967,104	P 79,178,444
Materials, supplies and other consumables		**77,360,553**	93,663,373	130,624,545
Subcontracting services		**73,872,514**	97,070,053	54,879,685
Depreciation and amortization	10.1, 11	**54,603,986**	45,122,750	45,432,147
Salaries and employee benefits	21.1	**51,566,491**	64,590,362	58,313,006
Outside services		**25,335,816**	189,812,351	47,268,947
Transportation and travel		**19,957,560**	22,509,326	18,462,452
Communication, light and water		**17,623,897**	29,872,910	30,917,700
Repairs and maintenance		**7,795,958**	11,231,275	11,904,584
Rentals	10.3, 27.2	**6,366,409**	6,679,699	35,372,264
Food and beverage		**6,311,525**	14,321,365	12,118,390
Insurance		**4,175,154**	3,351,644	3,478,119
Advertising and promotions		**461,804**	1,688,202	1,711,097
Equipment cost	11	**230,469**	36,060,896	8,951,680
Integration		**435**	779,709	861,818
Others		**6,529,140**	13,104,540	13,664,618
	18	**P 442,230,852**	P 717,825,559	P 553,139,496

17.3 Cost of Rentals

The details of this account are as follows:

	Notes	2020	2019	2018
Taxes and licenses	12	**P 27,138,083**	P 31,501,641	P 31,886,225
Depreciation and amortization	11	**16,074,574**	30,101,396	9,565,245
Outside services		**8,225,917**	6,703,048	27,072,431
Rentals	10.3, 27.2	**7,203,364**	16,029,015	16,728,546
Repairs and maintenance	12	**1,159,391**	4,509,381	5,371,838
Salaries and employee benefits	21.1	**943,261**	944,372	831,449
Others	12	**4,247,861**	8,010,455	5,223,059
	18	**P 64,992,451**	P 97,799,308	P 96,678,793

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 P3.8 million and P6.6 million in 2019 and 2018, 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	2020	2019	2018
Net purchases of merchandise inventories	17.1, 25.1	**P 285,527,669**	P 568,871,114	P 2,625,034,510
Salaries and employee benefits	21.1, 21.2, 25.6	**247,346,738**	274,044,327	235,398,214
Service fees	26.3	**90,039,141**	87,967,104	79,178,444
Depreciation and amortization	10.1, 11, 13.1	**87,662,078**	105,965,285	77,494,526
Materials, supplies and other consumables		**81,234,254**	99,033,164	96,588,456
Outside services		**76,358,599**	266,937,291	144,034,970
Subcontracting services		**75,665,364**	90,323,073	275,309,970
Taxes and licenses		**55,553,521**	68,173,460	73,362,388
Utilities and communication		**52,621,897**	77,337,014	82,013,670
Transportation and travel		**28,820,409**	49,310,079	49,620,282
Repairs and maintenance		**17,885,045**	28,255,770	36,120,847
Rentals	10.3, 27.2	**15,625,290**	26,336,714	52,100,810
Impairment losses on trade and other receivables – net	6.7	**12,993,853**	2,310,564	4,813,474
Food and beverage		**6,311,525**	13,901,365	15,609,031
Impairment losses on advances to related parties	25.4	**5,661,017**	-	-
Advertising and promotions		**5,381,582**	26,325,405	37,438,394
Representation and entertainment		**3,623,514**	8,281,075	6,372,029
Installation cost		**1,433,133**	9,712,418	1,262,707
Excess of actual over standard input VAT		**1,414,173**	481,572	829,460
Impairment loss on land and land development costs	9.1	**644,800**	-	-
Equipment cost		**299,043**	36,060,896	8,951,680
Impairment loss on intangible assets	13.1	**272,127**	-	-
Integration		**435**	779,709	861,818
Provisions for warranty claims	15	**-**	16,768,848	28,525,080
Loss on unrecoverable advances	25.1	**-**	5,722,019	60,352,888
Cost of condominium units and parking lots	17.4	**-**	3,796,170	6,620,959
Warranty claims		**-**	-	45,753,040
Changes in merchandise, finished goods and work-in-process inventories	17.1	**(37,692,506)**	617,747,432	(156,570,875)
Reversal for inventory obsolescence – net	8	**(1,970,272)**	(8,650,495)	(68,614,920)
Miscellaneous		**21,377,204**	90,920,686	15,247,691
		P 1,134,089,633	P 2,566,712,059	P 3,833,709,543

These expenses are classified in the consolidated statements of income as follows:

	Notes	2020	2019	2018
Cost of sales	17.1	**P 245,864,891**	P 1,177,968,051	P 2,399,848,715
Cost of services	17.2	**442,230,852**	717,825,559	553,139,496
Cost of rentals	17.3	**64,992,451**	97,799,308	96,678,793
Cost of real estate sales	17.4	**-**	3,796,170	6,620,959
General and administrative expenses		**339,414,678**	396,355,760	466,762,004
Selling and distribution costs		**41,586,761**	172,967,211	310,659,576
		P 1,134,089,633	P 2,566,712,059	P 3,833,709,543

19. OTHER OPERATING INCOME (EXPENSE)

The breakdown of this account is as follows:

	Notes	2020	2019	2018
Fair value gains on investment property – net	12	**P 265,736,169**	P 277,777,788	P 276,865,052
Income from utilities charged to tenants		**23,469,460**	36,505,698	26,026,791
Common usage service area	25.2	**12,559,189**	16,283,304	14,696,058
Excess of standard input VAT over actual input VAT		**2,302,528**	236,976	2,953,427
Revenue share from embedded third party application		**1,375,552**	2,047,915	7,055,691
Reversal of reserve for warranty costs	15	**40,656**	795,043	-
Miscellaneous		**2,924,737**	(240,948)	11,528,037
		P 308,408,291	P 333,405,776	P 339,125,056

20. OTHER INCOME (CHARGES)

Other Income (Charges) 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	2020	2019	2018
Foreign currency exchange losses		**P 39,293,691**	P 23,038,855	P 83,708
Interest expense on interest-bearing loans	14	**989,844**	3,132,075	4,690,998
Interest expense on lease liabilities	10.4	**823,728**	1,027,210	-
Interest amortization on refundable deposits	15	**735,999**	717,325	689,536
Loss on discounting of refundable deposit	15, 16	**-**	-	203,516
Miscellaneous		**33,027**	198,407	313,802
		P 41,876,289	P 28,113,872	P 5,981,560

20.2 Finance Income

This account consists of the following:

	Notes	2020	2019	2018
Increase in cash surrender value of investment in life insurance	6.4	**P 28,215,891**	P 43,487,753	P 6,441,848
Interest income from cash and cash equivalents	5.1	**19,120,409**	44,107,124	42,422,471
Interest income from real estate sale	6.1	**1,235,922**	1,560,316	1,604,898
Foreign currency exchange gains		**2,324**	49,997	37,883,122
Interest income from deposits on acquisition of land	13.3	**-**	6,477,329	-
Gain on discounting of refundable deposit	15, 16	**-**	225,755	-
		P 48,574,546	P 95,908,274	P 88,352,339

20.3 Other Gains – net

The breakdown of this account is as follows:

	Notes	2020	2019	2018
Net interest income on retirement benefit asset	21.2	**P 4,523,465**	P 7,448,481	P 3,639,566
Gain on sale of property and equipment	11	**1,605,486**	482,899	1,211,597
Gain on reversal of provision	9.1	**125,000**	-	-
Gain on derecognition of liabilities	15	**-**	2,913,521	325,989
Miscellaneous		**1,147,565**	2,189,354	1,613,924
		P 7,401,516	P 13,034,255	P 6,791,076

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	2020	2019	2018
Short-term benefits		**P 234,627,095**	P 261,885,183	P 217,349,277
Post-employment benefits	21.2	**12,719,643**	12,159,144	18,048,937
	18	**P 247,346,738**	P 274,044,327	P 235,398,214

These expenses are classified in the consolidated statements of income as follows:

	Notes	2020	2019	2018
General and administrative expenses		**P 174,648,509**	P 187,156,149	P 170,038,939
Cost of services	17.2	**51,566,491**	64,590,362	58,313,006
Selling and distribution costs		**20,188,477**	21,353,444	6,214,820
Cost of rentals	17.3	**943,261**	944,372	831,449
	18	**P 247,346,738**	P 274,044,327	P 235,398,214

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 2020, 2019 and 2018.

The amounts of retirement benefit asset recognized in the consolidated statements of financial position are determined as follows:

	2020	2019
Fair value of plan assets	**P 214,321,329**	P 203,053,778
Present value of obligation	**(75,939,796)**	(81,411,389)
	P 138,381,533	P 121,642,389

On the other hand, the retirement benefit obligation recognized by certain subsidiaries, which does not have an established post-employment benefit plan, amounted to P27.6 million and P33.6 million as of December 31, 2020 and 2019, respectively.

The movements in the fair value of plan assets of the Group are presented below.

	2020	2019
Balance at beginning of year	P 203,053,778	P 185,016,569
Interest income	10,350,318	13,767,510
Return on plan assets (excluding amounts included in net interest)	3,964,497	5,769,150
Contributions	4,017,015	-
Benefits paid	(7,064,279)	(1,499,451)
Balance at end of year	P 214,321,329	P 203,053,778

The movements in the present value of the retirement benefit obligation recognized in the books are as follows:

	2020	2019
Balance at beginning of year	P 115,005,810	P 85,343,561
Current service costs	16,625,682	12,159,144
Interest costs	5,826,853	6,319,029
Past service costs	(3,906,039)	-
Benefits paid	(7,064,279)	(1,499,451)
Benefits paid from book reserve	(1,303,750)	(1,094,184)
Remeasurements –		
Actuarial losses (gains) arising from:		
Experience adjustments	(11,929,903)	(3,386,403)
Changes in financial assumptions	(9,322,204)	17,164,114
Changes in demographic assumptions	(396,676)	-
Balance at end of year	P 103,535,494	P 115,005,810

The significant actuarial gains or losses in 2020 and 2019 arising from the financial assumptions pertains to the effects of differences between the discount rates and salary projection rates used while the 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):

	2020	2019
Debt securities:		
Philippines government bonds	P 212,616,788	P 187,867,978
Corporate bonds	-	415,954
UITF	1,908,969	12,947,186
Mutual funds	-	25,273
Others	(204,428)	1,797,387
	P 214,321,329	P 203,053,778

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 P14.3 million, P19.5 million and P1.1 million in 2020, 2019 and 2018, 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	**2020**	2019	2018
Reported in consolidated statements of income:				
Current service cost	21.1	**P 16,625,682**	P 12,159,144	P 18,048,937
Past service cost	21.1	**(3,906,039)**	-	-
Net interest income	20.3	**(4,523,465)**	(7,448,481)	(3,639,566)
		P 8,196,178	P 4,710,663	P 14,409,371
Reported in consolidated statements of comprehensive income (loss):				
Actuarial gains (losses) from:				
Changes in experience adjustments		**P 11,929,903**	P 3,386,403	P 11,785,527
Changes in financial assumptions		**9,322,204**	(17,164,114)	39,726,470
Changes in demographic assumption		**396,676**	-	-
Return on plan assets (excluding amounts included in net interest)		**3,964,497**	5,769,150	(9,199,228)
	23.3	**P 25,613,280**	(P 8,008,561)	P 42,312,769

Current service cost and past service cost are presented as part of Salaries and employee benefit account under the General and Administrative Expenses account in the consolidated statements of income (see Note 18).

The net interest income is included in Other Gains – net account in the consolidated statements of income (see Note 20.3). Amounts recognized in other comprehensive income, net of tax, were classified within items that will not be reclassified subsequently to profit or loss in the consolidated statements of comprehensive income.

For determination of the post-employment benefit obligation, the following actuarial assumptions were used:

	2020	2019	2018
Discount rates	**2.84% - 3.97%**	4.67% - 5.21%	7.24% - 7.51%
Salary increase rate	**5.00%**	7.00%	8.00%

Assumptions regarding future mortality are based on published statistics and mortality tables. The average remaining working lives of employees before retirement at the age of 60 ranges from 11.5 to 26.0 years for males and 17.0 to 26.0 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, 2020 and 2019:

	Impact on Post-employment Benefit Asset/Obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
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)**
December 31, 2019			
Discount rate	+/- 0.5%	(P 7,091,015)	P 8,211,858
Salary increase rate	+/- 1.0%	16,484,877	(12,778,443)

The sensitivity analysis above is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation recognized in the consolidated statements of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous years.

(ii) Asset-liability Matching Strategies

To efficiently manage the retirement plan, the Group through its Management Committee, ensures that the investment positions are managed in accordance with its asset-liability matching strategy to achieve that long-term investments are in line with the obligations under the retirement scheme. This strategy aims to match the plan assets to the retirement obligations by investing in long-term fixed interest securities (i.e., government or corporate bonds) with maturities that match the benefit payments as they fall due and in the appropriate currency. The Group actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the retirement obligations.

In view of this, investments are made in reasonably diversified portfolio, such that the failure of any single investment would not have a material impact on the overall level of assets. A large portion of the plan assets as at December 31, 2020 and 2019 is generally concentrated in government debt securities, although the Group also invests in UITF and mutual funds.

(iii) Funding Arrangements and Expected Contributions

The plan is currently overfunded by P138.4 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, 2020.

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:

	2020	2019
Within one year	**P 12,239,686**	P 3,669,458
More than one year to 5 years	**21,420,397**	29,371,084
More than 5 years to 10 years	**37,046,814**	51,226,601
More than 10 years to 15 years	**82,634,194**	99,626,819
More than 15 years to 20 years	**96,249,336**	145,771,418
More than 20 years	**931,037,450**	1,864,958,026
	P1,180,627,877	P2,194,623,406

The weighted average duration of the defined benefit obligation at the end of the reporting period is 19 years.

22. TAXES

22.1 Registration with 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. In 2020, 2019 and 2018, 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

The components of tax expense reported in the consolidated statements of income and consolidated statements of comprehensive income are as follows:

	2020	2019	2018
Reported in consolidated statements of income:			
Current tax expense:			
RCIT at 30%	**P 43,054,063**	P 68,765,479	P 42,347,249
Final tax at 20% and 15%	**19,355,986**	36,176,872	23,269,704
MCIT at 2%	**1,813,811**	1,524,840	4,154,042
Preferential tax at 5%	**-**	192,015	406,045
	64,223,860	106,659,206	70,177,040
Application of excess MCIT	**-**	(878,201)	(2,011,564)
Deferred tax expense relating to origination and reversal of temporary differences	**75,809,935**	180,434,356	27,814,413
	P 140,033,795	P 286,215,361	P 95,979,889
Reported in consolidated statements of comprehensive income:			
Deferred tax expense (income) on remeasurements of defined benefit post-employment plan	**P 7,252,717**	(P 2,051,534)	P 12,097,306
Deferred tax expense (income) on changes in fair value of financial assets at FVOCI	**(150,000)**	(300,000)	1,560,000
	P 7,102,717	(P 2,351,534)	P 13,657,306

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:

	2020	2019	2018
Tax on gross profit at 5% and pretax profit at 30%	**P 166,245,299**	P 199,476,622	P 114,832,611
Adjustment for income subjected to lower tax rates	**(10,049,430)**	(19,509,171)	(14,555,307)
Tax effects of:			
Nontaxable income	**(75,389,534)**	(65,987,688)	(2,181,089)
Unrecognized deferred tax assets from net operating loss carry-over (NOLCO) and MCIT and other temporary differences	**64,968,751**	96,885,363	9,425,707
Excess of optional standard deduction over itemized deductions	**(1,931,941)**	(1,994,139)	(274,394)
Nondeductible expenses and losses	**(1,577,110)**	560,625	1,030,724
Other taxable income	**1,255,660**	-	-
Benefit from previously unrecognized NOLCO, MCIT and other temporary differences	**(332,652)**	10,704,721	(891,219)
Post-employment defined benefits	**(259,139)**	210,588	306,502
Impairment loss on receivables	**(148,440)**	707,361	427,108
Provision for inventory obsolescence	**146,475**	-	-
Reversal of previously recognized deferred tax assets	**89,341**	-	-
Transfer of post-employment defined benefit obligation	**66,485**	-	-
Excess of MCIT over RCIT	**2,500**	-	-
Application of unrecognized MCIT	**-**	(152,578)	128,080
Deferred income subject to RCIT	**-**	-	(12,379,050)
Income of foreign subsidiary not subject to taxes	**-**	-	142,705
Others	**(3,052,470)**	65,313,657	(32,489)
Tax expense	**P 140,033,795**	P 286,215,361	P 95,979,889

The net deferred tax assets of certain subsidiaries as of December 31 relate to the following:

	2020	2019
Deferred tax assets:		
Allowance for impairment on trade and other receivables	**P 26,721,171**	P 24,152,706
Allowance for inventory obsolescence	**20,153,254**	20,890,811
Retirement benefit obligation	**5,334,139**	6,367,013
Unrealized foreign currency loss	**5,210,264**	1,839,332
NOLCO	**4,931,391**	973,127
Fair value loss on investment property	**4,441,947**	4,571,847
PFRS 16 adoption	**4,431,625**	2,834,788
Accrued expenses	**1,169,453**	6,775,706
MCIT	**612,422**	-
Provision for warranty claims	**357,980**	521,112
Deferred rental income	**-**	20,089
Balance carried forward	**P 73,363,646**	P 68,946,531

	2020	2019
Balance brought forward	**P 73,363,646**	P 68,946,531
Deferred tax liabilities:		
Equity investments in FVOCI	**(1,500,000)**	(1,650,000)
Accumulated depreciation on investment property	**(1,025,594)**	(845,024)
	(2,525,594)	(2,495,024)
Deferred tax assets – net	**P 70,838,052**	P 66,451,507

The net deferred tax liabilities of the Parent Company and other subsidiaries as of December 31 relate to the following:

	2020	2019
Deferred tax assets:		
Allowance for impairment on trade and other receivables	**P 10,492,807**	P 4,907,033
Accumulated amortization on right-of-use asset	**7,980,275**	-
Unearned rent income	**5,813,209**	5,904,668
Impairment losses on property and equipment	**4,303,875**	4,303,875
NOLCO	**2,622,618**	-
Allowance for inventory obsolescence	**1,162,023**	695,920
Loss on investment in subsidiaries	**838,709**	838,709
Deferred rent income	**453,146**	230,929
Unamortized past service costs	**293,829**	353,658
MCIT	**266,516**	-
Unrealized foreign currency loss	**165**	4,228
Impairment losses on trade and other receivables	**-**	3,069,833
Amortization of lease liabilities	**-**	2,786,805
	34,227,172	23,095,658
Deferred tax liabilities:		
Fair value gains on investment property – net	**(905,398,891)**	(825,888,045)
Retirement benefit asset	**(38,408,855)**	(33,979,652)
Accumulated depreciation on investment property	**(16,711,045)**	(7,449,512)
Excess of FV over cost of property	**(14,653,835)**	(14,653,835)
Amortization of lease liabilities	**(7,408,169)**	-
Accrued rent income	**(5,793,811)**	(4,409,657)
Unrealized foreign currency gains	**(5,155,064)**	(6,561,519
Changes in fair value of financial assets at FVOCI	**(1,710,000)**	(1,710,000)
Accumulated amortization on right-of-use asset	-	(2,156,739)
	(995,239,670)	(896,808,959)
Deferred tax liabilities – net	**(P 961,012,498)**	(P 873,713,301)

The components of net deferred tax expense reported in the consolidated statements of income are as follows:

	2020	2019	2018
Fair value gains on investment property – net	**P 79,378,245**	P 82,838,337	P 83,059,516
Accumulated depreciation on investment property	**9,704,604**	9,228,783	(7,014,121)
NOLCO	**(6,580,882)**	65,418,719	(65,897,971)
Accrued expenses	**5,491,220**	23,042,053	-
Allowance for impairment on trade and other receivables	**(5,084,406)**	(2,565,851)	(2,125,577)
Unrealized foreign currency gains (losses) – net	**(4,773,324)**	(4,161,074)	5,887,266
Retirement benefit asset	**(1,790,639)**	(1,161,299)	(3,047,956)
PFRS 16 adoption	**(1,538,877)**	(3,464,854)	-
Accrued income	**1,499,186**	(87,364)	(56,313)
Excess of MCIT over RCIT	**(878,938)**	8,609,114	(2,019,900)
Allowance for inventory obsolescence	**271,454**	2,595,149	19,825,380
Deferred rent income	**(202,128)**	(30,519)	149,251
Provision for warranty claims	**163,132**	265,902	(352,409)
Unearned rent income	**91,459**	(188,267)	(630,033)
Unamortized past service costs	**59,829**	95,527	149,775
Reserve for commission	**-**	-	(501,670)
Refundable deposits	**-**	-	389,175
	P 75,809,935	P 180,434,356	P 27,814,413

The deferred tax expense in 2020 and 2018 amounting to P7.1 million and P13.7 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 (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
2020	P 166,054,076	P -	P -	P 166,054,076	2025
2019	287,916,072	(1,164,001)	-	286,752,071	2022
2018	226,621,411	(5,597,571)	-	221,023,840	2021
2017	22,095,114	(1,197,516)	(20,897,598)	-	
	P 702,686,673	**(P 7,959,088)**	**(P 20,897,598)**	**P 673,829,987**	

NOLCO incurred in 2020 amounting to P166.1 million can be claimed as a deduction from the gross income until 2025 in accordance with RA No. 11494, *Bayanihan to Recover as One Act.* NOLCO incurred in 2019 and 2018 can be claimed as a deduction from the gross income until 2022 and 2021, respectively.

The Group is subject to MCIT which is computed at 2% 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	Remaining Balance	Valid Until
2020	P 1,360,982*	P -	P 1,360,982	2023
2019	1,524,840	-	1,524,840	2022
2018	4,147,314	(182,339)	3,964,975	2021
2017	78,115	(78,115)	-	
	P 7,111,251	(P 260,454)	P 6,850,797	

** Determined based on CREATE Act (see Note 32)*

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.

	2020		2019		2018	
	Amount	Tax Effect	Amount	Tax Effect	Amount	Tax Effect
FVOCI (AFS financial assets in 2018)	**P 829,222,559**	**P 248,766,768**	P 829,222,559	P 248,766,768	P 829,222,559	P 248,766,768
NOLCO	**668,708,399**	**200,612,518**	330,732,081	99,219,624	62,219,347	18,665,804
Unrealized foreign currency gains – net	**22,218,627**	**6,665,588**	8,034,540	2,410,362	-	-
Allowance for impairment of trade receivables	**16,160,480**	**4,848,144**	16,916,436	5,074,931	13,600,000	4,080,000
MCIT	**6,428,916**	**6,428,916**	1,777,805	1,777,805	-	-
Retirement benefit obligation	**3,671,863**	**1,101,559**	1,606,127	481,838	-	-
Unamortized past service cost	**2,421,539**	**726,462**	-	-	-	-
Reserve for commission	**1,067,607**	**320,282**	-	-	-	-
Allowance for inventory obsolescence	**1,039,657**	**311,897**	165,422	49,627	-	-
Allowance for impairment of land and land development cost	**644,800**	**193,440**	-	-	-	-
Allowance for impairment of intangible assets	**272,127**	**81,638**	-	-	-	-
	P 1,551,856,574	**P 470,057,212**	P 1,188,454,970	P 357,780,955	P 905,041,906	P 271,512,572

The deferred tax liabilities on unrealized foreign currency gains in 2018 were not recognized since the Group has sufficient deferred tax assets to cover any future tax liability that will arise once this gain has been realized. Also, in 2018, SGI recognized deferred tax liabilities on unrealized foreign exchange gain amounting to P2.7 million.

In 2020, 2019 and 2018, 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, 2020 and 2019, the Parent Company has issued shares of 2,030,975,000 (with P1 par value), of which, 386,912,704 and 394,212,704 shares are held by the public in 2020 and 2019, respectively. There are 4,230 and 4,234 holders of the listed shares which closed at P1.11 and P1.22 per share on December 31, 2020 and 2019, respectively.

23.2 Retained Earnings

The BOD approved the declaration of cash dividends in 2019 and 2018 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
August 10, 2018	August 31, 2018	1,821,542,000	0.06	109,292,520

The dividends were paid within their respective year of declaration and approval. There was no dividend declaration in 2020. Retained earnings is restricted in the amount of P115.6 million as of December 31, 2020 and 2019, 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	**2020**	2019	2018
Remeasurement of post-employment benefit:				
Balance at beginning of year		**P 45,012,197**	P 50,969,224	P 20,753,761
Actuarial gains (losses) during the year	21.2	**25,613,280**	(8,008,561)	42,312,769
Tax income (expense)	22.2	**(7,252,717)**	2,051,534	(12,097,306)
Balance at end of year		**63,372,760**	45,012,197	50,969,224
Cumulative translation adjustments:				
Balance at beginning of year		**(34,848,736)**	(17,825,788)	(40,409,549)
Currency exchange differences on translating financial statements of foreign operations		**(24,134,481)**	(17,022,948)	22,583,761
Balance at end of year		**(58,983,217)**	(34,848,736)	(17,825,788)
Unrealized fair value losses financial on financial assets at FVOCI/ AFS financial assets:				
Balance at beginning of year		**8,346,719**	9,046,719	4,012,599
Fair value gains (losses) – net	7	**(2,000,000)**	(1,000,000)	6,500,000
Derecognition of financial asset at FVOCI	7	**-**	-	94,120
Tax income (expense)	22.2	**150,000**	300,000	(1,560,000)
Balance at end of year		**6,496,719**	8,346,719	9,046,719
Other comprehensive income attributable to non-controlling interest		**35,000**	35,000	35,000
		P 10,921,262	P 18,545,180	P 42,225,155

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	
	2020	2019	**2020**	2019
Current assets	**P 815,488,350**	P 809,602,947	**P 130,520**	P 847,081
Non-current assets	**1,286,244**	1,182,267	**-**	-
Total assets	**P 816,774,594**	P 810,785,214	**P 130,520**	P 847,081
Current liabilities	**P 69,671,352**	P 69,176,426	**P 8,029,528**	P 8,203,549
Non-current liabilities	**340,102**	1,834,280	**-**	-
Total liabilities	**P 70,011,454**	P 71,010,706	**P 8,029,528**	P 8,203,549
Equity (capital deficiency) attributable to owners of the parent	**P 373,381,570**	P 369,887,254	**(P 3,949,504)**	(P 3,678,234)
NCI	**P 373,381,570**	P 369,887,254	**(P 3,949,504)**	(P 3,678,234)
Revenue	**P 20,253,711**	P 40,895,405	**P -**	P -
Profit (loss) for the year attributable to owners of the parent	**P 3,184,589**	P 10,343,001	**(P 271,271)**	(P 59,657)
Profit (loss) for the year attributable to NCI	**3,184,589**	10,343,001	**(271,271)**	(59,657)
Profit (loss) for the year	**6,369,178**	20,686,002	**(542,542)**	(119,314)
Other comprehensive loss for the year (all attributable to owners of the parent)	**619,454**	(212,709)	**-**	-
Total comprehensive income (loss) for the year attributable to owners of the parent	**3,804,043**	10,130,292	**(271,271)**	(59,657)
Total comprehensive income (loss) for the year attributable to NCI	**3,184,589**	10,343,001	**(271,271)**	(59,657)
Total comprehensive income (loss) for the year	**P 6,988,632**	P 20,473,293	**(P 542,542)**	(P 119,314)
Net cash used in operating activities	**(P 5,263,988)**	(P 16,658,283)	**(P 123,281)**	(P 108,833)
Net cash from (used in) investing activities	**(678,495,423)**	40,133,815	**-**	-
Net cash from financing activities	**-**	-	**51,520**	-
	(683,759,411)	23,475,532	**(71,761)**	(108,833)
Effect of exchange rate on cash and cash equivalent	**(4,688,184)**	(4,466,575)	**-**	-
Net cash inflow (outflow)	**(P 688,447,595)**	P 19,008,957	**(P 71,761)**	(P 108,833)

The corporate information of Starworld and LIIP, as well as the Parent Company's stockholding thereto, is provided in Note 1.

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.

There were no dividends paid to the NCI for the years ended December 31, 2020 and 2019.

24. EARNINGS PER SHARE

Basic and diluted earnings for profit attributable to the Parent Company's stockholders are computed as follows:

	2020	2019	2018
Net profit for the year attributable to the Parent Company's stockholders	**P 220,149,500**	P 216,338,757	P 247,055,719
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 0.12**	P 0.12	P 0.14

There were no outstanding convertible preferred shares and bonds or other stock equivalents as of December 31, 2020, 2019 and 2018; 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 2020, 2019 and 2018 with its related parties and the outstanding balances as of December 31, 2020 and 2019 are presented below.

		Amounts of Transaction			**Outstanding Receivable (Payable)**	
Related Party Category	Notes	**2020**	2019	2018	**2020**	2019
Related Parties Under Common Ownership:						
Purchase of mobile phones	25.1	**P 155,375,026**	P 395,991,231	P 2,402,888,346	**(P 56,803,352)**	P -
Advances to suppliers	25.1	**195,702,637**	112,171,986	(222,764,208)	**70,695,418**	266,398,055
Commissions	25.5	**60,020,094**	61,189,656	2,381,237	**129,631,358**	68,435,719
Cash advances granted (paid)	25.4	**12,524,583**	(397,788)	225,585	**21,572,451**	9,047,868
Lease of real property	25.2	**5,603,819**	14,036,114	6,172,274	**161,676**	206,004
Rendering of services	25.2, 25.9	**3,350,449**	3,748,808	4,023,357	**659,536**	681,630
Sale of goods	25.8	**3,331,175**	5,637,083	1,478,076	**1,129,704**	361,969
Purchase of spare parts	25.1	**2,406,636**	12,495,522	27,576,311	**(872,575)**	(8,653,195)
Granting (collection) of business loans	25.3	**(1,500,000)**	-	(1,000,000)	**9,500,000**	11,000,000
Interest income	25.3	**880,000**	880,000	938,444	**-**	-
Purchase of supplies and services	25.1	**610,210**	6,316,021	-	**(34,483)**	(3,970,966)
Refundable deposits	25.2	**193,250**	-	108,000	**(717,500)**	(524,250)
Cash advances obtained	25.4	**-**	-	(1,911,535)	**(1,881,570)**	(1,881,570)
Others:						
Key management personnel compensation	25.6	**46,204,296**	45,389,816	49,080,417	**-**	-

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.

Similar to trade receivables, the Group's receivables with related parties were assessed for impairment using the Group's simplified approach of ECL model. These receivables have substantially the same risk characteristics as the trade receivables. As such, the expected loss rates for trade receivables are a reasonable approximation of the loss rates for receivables from related parties.

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, 2020. There were no impairment losses recognized in 2019 and 2018 (see Note 25.4).

25.1 Purchase of Goods, Supplies and Services

In 2020, 2019 and 2018, 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 P157.8 million, P408.5 million and P2,430.5 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 payable from these purchases amounting to P57.7 million and P8.7 million as of December 31, 2020 and 2019 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, 2020 and 2019, 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 and 2018, the management with the approval of the BOD, wrote off certain advances amounting to P1.5 million and P61.0 million, respectively, 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 2020.

In 2020, SEC and SVC purchased electronic devices from Avid Sales Corporation (Avid), a related party under common ownership, amounting to P0.4 million and P0.2 million, respectively. In 2019, SVC and the Parent Company purchased similar devices from Avid amounting to P6.0 million and P0.3 million, respectively. There were no similar purchases in 2018. The related purchases were recorded as part of Net purchases under Cost of Sales account in the consolidated statement of income (see Note 17.1). The outstanding payable for these purchases as of December 31, 2020 and 2019, 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 account 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) account 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 2020, 2019 and 2018. The loan matured on January 18, 2020 and was renewed on the same date, repayable until January 18, 2025, its maturity date. Principal repayment related to this loan amounted to P1.5 million and P1.0 million in 2020 and 2018, respectively. There was no repayment made in 2019.

Total interest earned from these loans amounted P0.9 million in each of the year presented and are shown as part of Interest under Revenues account in the consolidated statements of income. The outstanding balance of business loans granted as of December 31, 2020 and 2019 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 2020, 2019 and 2018.

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 as presented in the consolidated statements of cash flows is shown in the succeeding page.

	2020	2019
Balance at beginning of year	**P 9,047,868**	P 9,445,656
Deposit for future stock subscription – Fekon	**18,185,600**	-
Impairment losses for the year	**(5,661,017)**	-
Collection of advances	**-**	(397,788)
Balance at end of year	**P 21,572,451**	P 9,047,868

In 2020, the Parent Company made deposit in the shares of Fekon Solid Motorcycle Mfg. Corp. (Fekon), a related party under common ownership, in relation to the planned increase in authorized capital stock of the latter. Since Fekon is yet to apply for the planned increase in authorized capital stock to the Commission as of December 31, 2020, these are presented under advances to related parties.

On the other hand, 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 2020, the Group recognized impairment loss from the advances amounting to P5.7 million which is presented as Impairment losses on advances to related parties under General and Administrative Expenses account in 2020 consolidated statement of income (see Note 18).

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 under Revenues account in the consolidated statements of income. The outstanding balance arising from these transactions as of December 31, 2020 and 2019 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).

In 2020 and 2019, My Solid 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 under Revenues account in the consolidated statements of income. There was no similar transaction in 2018. 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:

	2020	2019	2018
Short-term benefits	**P 45,115,990**	P 43,843,908	P 44,246,620
Post-employment benefit	**1,088,306**	1,545,908	4,833,797
	P 46,204,296	P 45,389,816	P 49,080,417

These amounts are shown as part of Salaries and employee benefits under General and Administrative Expenses account in the consolidated statements of income (see Notes 18 and 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, 2020 and 2019.

The retirement fund consists of government securities and UITF and mutual funds with fair values totaling P214.3 million and P203.1 million as at December 31, 2020 and 2019, respectively (see Note 21.2). The retirement fund neither provides any guarantee or surety for any obligation of the Group. The retirement fund also has no investments in the Parent Company's shares of stock which are listed for trading at the PSE.

The details of the contributions of the Group and benefits paid out by the plan to employees are presented in Note 21.2.

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 account in the 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 leasing warehouse and distribution services to Avid. Revenues from the said transactions amounting to P3.4 million, P3.7 million and P4.0 million in 2020, 2019 and 2018, respectively, are presented as part of Rendering of Services under Revenues account in the consolidated statements of income.

The outstanding receivables arising from these transactions, which are generally unsecured, noninterest-bearing and settled through cash amounted to P0.7 million as of December 31, 2020 and 2019 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 P71.3 million, P94.1 million and P110.6 million in 2020, 2019 and 2018, respectively, and are presented as part of Rendering of Services in the consolidated statements of income. Outstanding balances arising from these transactions amounted to P5.5 million and P17.6 million as of December 31, 2020 and 2019, 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, P2.68 million and P2.4 million in 2020, 2019 and 2018, respectively, and is presented as part of Rendering of Services under Revenues in the consolidated statements of income. The outstanding receivable amounted to P0.3 million and P0.4 million as of December 31, 2020 and 2019, 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 account in 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.

	2020	2019
Within one year	**P 119,201,322**	P 133,289,948
After one year but not more than two years	**43,020,893**	99,120,094
After two year but not more than three years	**27,586,949**	15,561,713
After three year but not more than four years	**23,927,007**	7,349,215
After four year but not more than five years	**22,201,743**	7,663,319
More than five years	**68,919,140**	46,933,095
	P 304,857,054	P 309,917,384

The total rent income recognized from these transactions amounted to P242.7 million, P250.9 million and P239.2 million, including rent income resulting from the application of the straight-line basis of revenue recognition in accordance with PFRS 16 (previously PAS 17) in 2020, 2019 and 2018, respectively, and are presented as Rentals under Revenues account in the consolidated statements of income.

27.2 Operating Lease Commitments – Group as Lessee (2018)

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%.

Rental expense charged to operations from these operating leases for the year ended December 31, 2018 are allocated as follows:

	Notes	
Cost of services	17.2	P 35,372,264
Cost of rentals	17.3	16,728,546
	18	P 52,100,810

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, 2020 and 2019 (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.

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, 2020.

27.6 Others

The Group has unused credit facilities amounting to P1.1 billion both in 2020 and 2019.

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, 2020 and 2019, 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 U.S. dollars. The Group also holds U.S. dollar-denominated cash and cash equivalents.

To mitigate the Group's exposure to foreign currency risk, non-Philippine peso cash flows are monitored.

Foreign currency-denominated financial assets and financial liabilities, translated into Philippine pesos at the closing rate are as follows:

	2020	2019
Financial assets	**P 225,532,985**	P 138,230,182
Financial liabilities	**(62,938,617)**	(27,036,280)
Short-term exposure	**P 162,594,368**	P 111,193,902

The following table illustrates the sensitivity of the Group's profit before tax in 2020, 2019 and 2018 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.

	2020		2019		2018	
	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	**23.79%**	**P 38,681,200**	12.37%	P 13,754,686	19.64%	(P 596,872)

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 P38.7 million and P13.8 million in 2020 and 2019, respectively, and would have been higher by P0.6 million in 2018. 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 2020 and 2019 and lower in 2018 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

At December 31, 2020 and 2019, 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 +/-1.49% in 2020, +/-3.11% in 2019 and +/-4.80% in 2018. 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 1.49%, 3.11% and 4.80%, profit before tax in 2020, 2019 and 2018, would have increased by P260.2 million, P244.1 million and P154.3 million, respectively. Conversely, if the interest rate decreased by the same percentages, profit before tax in 2020, 2019 and 2018 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 classified as financial assets at FVTPL and financial assets 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	**2020**	2019
Cash and cash equivalents	5.1	**P 918,335,159**	P 3,491,034,266
Short-term placements	5.2	**3,326,476,937**	762,445,571
Trade and other receivables – net*	6	**982,833,368**	1,086,653,102
Refundable deposits**	13	**19,208,263**	14,622,612
Advances to related parties***	25.4	**3,386,851**	9,047,868
Deposit to suppliers**	13	**3,347,774**	3,347,774
Cash bond**	13	**680,834**	680,834
		P 5,254,269,186	P 5,367,832,027

* *Except for Advances to supplier and Advances to officers and employees*
** *Presented as part of Other Assets*
*** *Except for Deposit for future stock subscription*

The Group's management considers that all the above financial assets that are not impaired or past due at the end of each reporting period are of good credit quality.

(a) Cash and Cash Equivalents and Short-term Placements

The credit risk for cash and cash equivalents in the consolidated statements of financial position, is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. Included in the cash and cash equivalents are cash in banks and short-term placements which are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P500,000 for every depositor per banking institution.

(b) Trade and Other Receivables

The Group applies the PFRS 9 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 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 at December 31, 2020 and 2019 was determined based on months past due, for trade and other receivables (except advances to 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, 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**
December 31, 2019					
Expected loss rate	2.03%	8.61%	61.69%	83.63%	
Gross carrying amount	P 313,690,340	P 16,560,563	P 7,265,446	P 109,429,734	P 446,946,083
Loss allowance	6,364,652	1,426,353	4,481,810	91,513,741	103,786,556

Except for trade receivables arising from real estate sales, none of the financial assets are secured by collateral or credit enhancements. Trade receivables arising from real estate sales are secured by industrial lots and condominium units sold to buyers and are covered by postdated checks.

The reconciliation of allowance for impairment on trade and other receivables at the beginning and end of 2020 and 2019 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 2020, the Group recognized impairment losses on advances to related parties amounting to P5.7 million which is presented under General and Administrative Expenses account in 2020 consolidated statement of income (see Note 18). There were no impairment losses that are required to be recognized in 2019 and 2018.

(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.

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, 2020 and 2019, 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
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**
2019			
Interest-bearing loans	P 71,088,543	P -	P -
Trade and other payables	365,632,219	-	-
Advances from related parties	1,881,570	-	-
Refundable deposits	-	-	23,491,992
	P 438,602,332	P -	P 23,491,992

The above contractual maturities reflect the gross cash flows, which may differ with the carrying values of the financial liabilities at the end of reporting period.

29. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

29.1 Carrying Amounts and Fair Values by Category

The carrying amounts and fair values of the categories of financial assets and financial liabilities presented in the consolidated statements of financial position are shown below.

	Notes	2020 Carrying Amounts	2020 Fair Values	2019 Carrying Amounts	2019 Fair Values
Financial assets					
At amortized cost:					
Cash and cash equivalents	5	**P 918,335,159**	**P 918,335,159**	P 3,491,034,266	P 3,491,034,266
Short-term placements	5	**3,326,476,937**	**3,326,476,937**	762,445,571	762,445,571
Trade and other receivables – net	6	**982,833,368**	**982,833,368**	1,086,653,102	1,086,653,102
Refundable deposits	13	**19,208,263**	**19,208,263**	14,622,612	14,622,612
Advances to related parties	25.4	**3,386,851**	**3,386,851**	9,047,868	9,047,868
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
		5,254,269,186	**5,254,269,186**	5,367,832,027	5,367,832,027
Financial assets at FVOCI –	7	**24,100,000**	**24,100,000**	26,100,000	26,100,000
		P 5,278,369,186	**P 5,278,369,186**	P 5,393,932,027	P 5,393,932,027
Financial liabilities					
At amortized cost:					
Trade and other payables	15	**P 333,114,648**	**P 333,114,648**	P 365,632,219	P 365,632,219
Refundable deposits	16	**28,889,217**	**28,889,217**	23,491,992	23,491,992
Interest-bearing loans – net	14	**-**	**-**	67,956,468	67,956,468
Lease liabilities	10.2	**10,521,366**	**10,521,366**	15,363,477	15,363,477
Advances from related parties	25.4	**1,881,570**	**1,881,570**	1,881,570	1,881,570
		P 374,406,801	**P 374,406,801**	P 474,325,726	P 474,325,726

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, 2020 and 2019 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 under Receivables account in the consolidated statements of financial position can be offset by the amount of outstanding Advances from and Due to Related Parties account:

	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, 2020		**P**	**21,572,451**	**P**	**-**	**P**	**21,572,451**
December 31, 2019			9,047,868		-		9,047,868
Advances from and due to related parties:	25.4						
December 31, 2020		**P**	**1,881,570**	**P**	**-**	**P**	**1,881,570**
December 31, 2019			1,881,570		-		1,881,570

Further, as at December 31, 2019, the Group's cash surrender value of investment in life insurance amounted to P738.4 million and is presented as part of Trade and Other Receivables account in the consolidated statements of financial position. These may be used to settle the outstanding loans of BRL amounting to P68.0 million as at December 31, 2019 presented as Interest-bearing Loans in the consolidated statements of financial position (see Notes 6.4 and 14).

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, 2020 and 2019, the Group's financial assets at FVOCI measured at fair value amounted to P24.1 million and P26.1 million, respectively (see Note 7).

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, 2020 and 2019.

There were neither transfers between Levels 1 and 2 nor changes in the carrying amount of Level 3 instruments in both years.

30.3 Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed

The tables below and in the succeeding page summarize the fair value hierarchy of the Group's financial assets and financial liabilities which are not measured at fair value in the consolidated statements of financial position but for which fair value is disclosed.

	Notes	Level 1	Level 3	Total
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 1,009,457,090	P 5,254,269,186

	Notes	Level 1		Level 3		Total	
2020							
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**
2019							
Financial Assets							
At amortized cost:							
Cash and cash equivalents	5	P	3,491,034,266	P	-	P	3,491,034,266
Short-term placements	5		762,445,571		-		762,445,571
Trade and other receivables – net	6		-		1,086,653,102		1,086,653,102
Refundable deposits	13		-		14,622,612		14,622,612
Advances to related parties	25.4		-		9,047,868		9,047,868
Deposit to suppliers	13		-		3,347,774		3,347,774
Cash bond	13		-		680,834		680,834
		P	4,253,479,837	P	1,114,352,190	P	5,367,832,027
Financial Liabilities							
At amortized cost:							
Interest-bearing loans – net	14	P	-	P	67,956,468	P	67,956,468
Trade and other payables	15		-		365,632,219		365,632,219
Refundable deposits	16		-		23,491,992		23,491,992
Lease liabilities	10.2		-		15,363,477		15,363,477
Advances from related parties	25.4		-		1,881,570		1,881,570
		P	-	P	474,325,726	P	474,325,726

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 P3,170.9 million and P2,867.4 million as of December 31, 2020 and 2019, 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 P797.2 million and P821.4 million as of December 31, 2020 and 2019, respectively. On the other hand, the Level 3 fair value of the construction in progress under Investment Property account amounted to P67.0 million and P51.3 million as of December 31, 2020 and 2019, 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 2020 and 2019.

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.

	2020	2019
Total liabilities (excluding advances from related parties)	**P 1,445,551,945**	P 1,477,455,416
Total equity	**10,856,311,642**	10,640,879,837
	0.13 : 1.00	0.14 : 1.00

As at December 31, 2020 and 2019, the Group is not subject to any externally-imposed capital requirements, except for SMFI as indicated below.

Under Section 6 of RA No. 8556, SMFI is required to maintain a minimum paid-up capital of not less than P10.0 million. SMFI is in compliance with the minimum paid-up capital requirement as at December 31, 2020 and 2019.

32. EVENT AFTER THE END OF THE REPORTING PERIOD

On March 26, 2021, RA No. 11534, *Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act*, amending certain provisions of the National Internal Revenue Code of 1997, as amended, was signed into law with veto on certain provisions and shall be effective 15 days after its publication. The CREATE Act has several provisions with retroactive effect beginning July 1, 2020. The following are the major changes brought about by the CREATE Act that are relevant to the Group:

(a) RCIT rate is decreased 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%;
(b) MCIT rate is decreased from 2% to 1% starting July 1, 2020 until June 30, 2023;
(c) the imposition of 10% tax on improperly accumulated retained earnings is repealed; and,
(d) the allowable deduction for interest expense is reduced to 20% (from 33%) of the interest income subjected to final tax.

Given that the CREATE Act was signed after the end of the current reporting period, the Group determined that this event is a non-adjusting subsequent event. Accordingly, its impact was not reflected in the Group's financial statements as of and for the year ended December 31, 2020, and instead, will be taken up prospectively in the next applicable reporting period. The Group used the prevailing tax rates as of December 31, 2020 in determining its current and deferred taxes in its 2020 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 current income tax expense and income tax payable, as presented in the 2020 annual income tax return (ITR) of the Group, would be lower by P4.2 million and P2.6 million, respectively, than the amount presented in the 2020 financial statements. Conversely, the creditable withholding taxes presented in the 2020 annual ITR would be higher by P1.6 million than the amount presented in the 2020 financial statements.

In addition, the recognized net deferred tax assets and net deferred tax liabilities as of December 31, 2020 would be remeasured to 25% and 20% in the 2021 financial statements. This will result in a decline in the recognized deferred tax assets and deferred tax liabilities in 2020 amounting to P13.2 million and P160.2 million, respectively, and will be charged to 2021 profit or loss, unless it can be recognized in other comprehensive income as provided in applicable financial reporting standard. The unrecognized deferred tax assets as of December 31, 2020 will also result in a decline in 2020. However, such decline in the unrecognized net deferred tax assets will not have an impact in the 2021 profit or loss or in other comprehensive income.

Report of Independent Auditors to Accompany Supplementary Information Required by the Securities and Exchange Commission Filed Separately from the Basic Financial Statements

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

T +63 2 8988 22 88

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

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Solid Group, Inc. and Subsidiaries (the Group) for the year ended December 31, 2020, on which we have rendered our report dated April 8, 2021. 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. 8533227, January 4, 2021, 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 Jul. 24, 2021)

April 8, 2021

SOLID GROUP INC. AND SUBSIDIARIES
List of Supplementary Information
December 31, 2020

Solid Group Inc. and Subsidiaries
Schedule A - Financial Assets
December 31, 2020

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 10,300,000	P 10,500,000	P -
Sta. Elena Golf Club	1	5,000,000	5,000,000	-
Alabang Country Club	2	6,000,000	6,000,000	-
Tagaytay Midlands Golf Club	4	2,800,000	2,200,000	-
		P 24,100,000	**P 23,700,000**	**P -**

Solid Group Inc. and Subsidiaries
Schedule B - Amounts Receivable from Directors, Officers, Employees and Principal Stockholders (Other than Related Parties)
December 31, 2020

			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, 2020

			Deductions		*Ending Balance*		
Name and Designation of Debtor	*Balance at Beginning of Period*	*Additions*	*Amounts Collected*	*Amounts Written-off*	*Current*	*Non-current*	*Balance at End of Period*
Trade Receivables:							
My Solid Devices & Technologies Corporation	P 2,233,312	P -	P 683,780	P -	P 1,549,532	P -	P 1,549,532
Kita Corporation	13,600,000	-	-	-	13,600,000	-	13,600,000
Green Sun Hotel Management Inc.	583,332	-	162,620	-	420,712	-	420,712
SolidService Electronics Corporation	15,104	-	3,590	-	11,514	-	11,514
Solid Manila Corporation	196,389	30,000,000	18,489	-	30,177,900	-	30,177,900
Zen Towers Corporation	10,000,000	10,000,000	-	-	20,000,000	-	20,000,000
	P 26,628,138	**P 40,000,000**	**P 868,480**	**P -**	**P 65,759,657**	**P -**	**P 65,759,657**
Advances to and From							
My Solid Devices & Technologies Corporation	P 720,000,000	P -	P 120,000,000.00	P -	P 600,000,000	P -	P 600,000,000
Kita Corporation	426,259,173	-	4,017,014	-	422,242,159	-	422,242,159
Casa Bacobo Hotel, Inc.	1,075,850	-	150,149	-	925,701	-	925,701
Zen Towers Corporation	324,000,000	-		-	324,000,000	-	324,000,000
Solid Manila Corporation	162,876,708	-	28,333,520	-	134,543,188	-	134,543,188
Brilliant Reach Limited	220,140,348	55,742,589		-	275,882,937	-	275,882,937
Solid Video Corporation	-	50,000,000	10,000,000	-	40,000,000	-	40,000,000
SolidGroup Technologies Corporation	9,000,000	9,674,022	11,300,000	-	7,374,022	-	7,374,022
MyApp Corporation	900,000	-	900,000	-	-	-	-
Precos, Inc.	4,000,000	-	4,000,000	-	-	-	-
	P 1,868,252,079	**P 115,416,611**	**P 178,700,683**	**P -**	**P 1,804,968,007**	**P -**	**P 1,804,968,007**

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, 2020

			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 103,597	P 75,916	P -	P -	P 179,514	P -	P 179,514
Omni Solid Services Inc.	2,422,830	-	971,029	-	1,451,802	-	1,451,802
SolidService Electronics Corporation	-	107,630	-	-	107,630	-	107,630
SolidGroup Technologies Corporation	-	226,712	-	-	226,712	-	226,712
Solid Manila Corporation	501,710	-	501,710	-	-	-	-
Solid Group Inc.	23,600,000	40,194,000	-	-	63,794,000	-	63,794,000
	P 26,628,138	**P 40,604,258**	**P 1,472,739**	**P -**	**P 65,759,657**	**P -**	**P 65,759,657**

Solid Group Inc. and Subsidiaries
Schedule D - Intangible Assets - Other Assets
December 31, 2020

Description	*Beginning Balance*	*Additions at Cost*	*Deduction* *Charged to Cost and Expenses*	*Deduction* *Charged to Other Accounts*	*Other Changes Additions (Deductions)*	*Ending Balance*
Intangible assets						
Cost:						
Licenses and softwares	P 22,880,003	P 8,425,699	P -	P -	P	P 31,305,702
Non-proprietary club shares	2,222,127	-	-	-	-	2,222,127
	P 25,102,130	P 8,425,699	P -	P -	P -	P 33,527,829
Accumulated Amortization and Impairment Losses:						
Licenses and softwares	(P 18,209,346)	P -	(P 110,168)	P -	P -	(P 18,319,514)
Non-proprietary club shares	(1,850,000)	-	(272,127)	-	-	(2,122,127)
	(P 20,059,346)	P -	(P 382,295)	P -	P -	(P 20,441,641)
Net Book Value:	**P 5,042,784**	**P 8,425,699**	**(P 382,295)**	**P -**	**P -**	**P 13,086,188**

Solid Group Inc. and Subsidiaries
Schedule E - Long-Term Debt
December 31, 2020

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, 2020

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, 2020

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, 2020

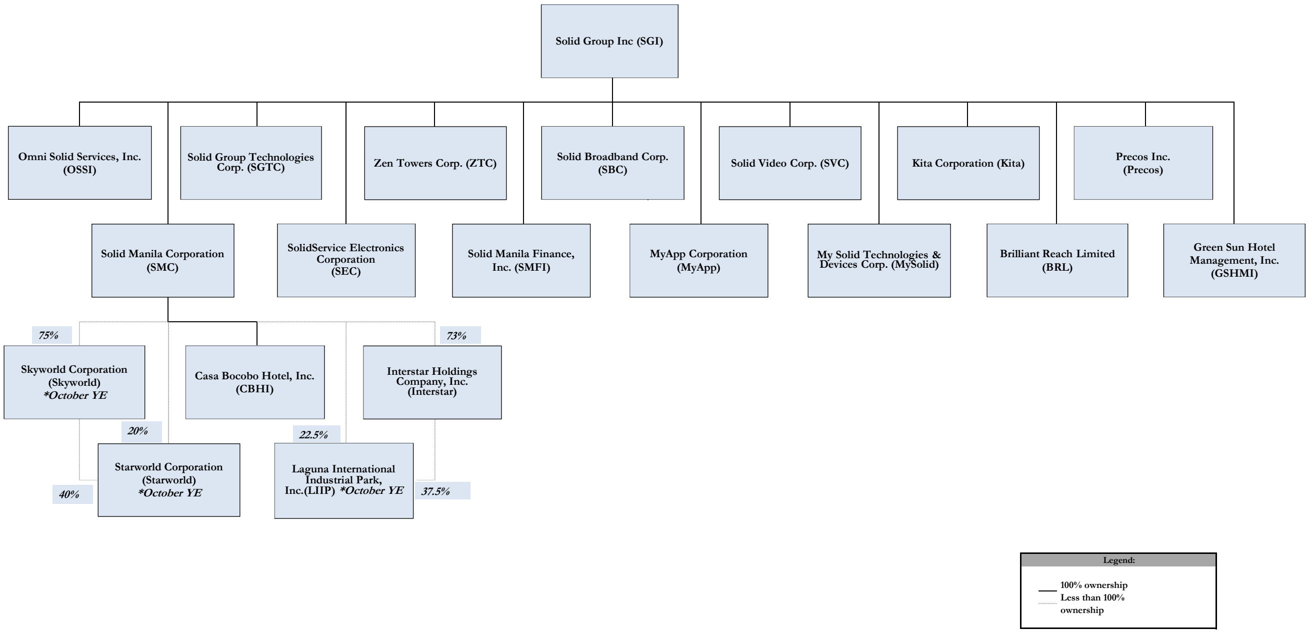
Title of Issue	*Number of shares authorized*	*Number of shares issued and outstanding as shown under the related balance sheet caption (A)*	*Number of shares reserved for options, warrants, conversion and other rights*	*Number of shares held by*		
				Related parties (B)	*Directors, officers and employees*	*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	351,251,480	386,912,704

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, 2020

Unappropriated Retained Earnings at Beginning of Year	P	974,022,407
Retained Earnings Restricted for Treasury Shares		(115,614,380)
Unappropriated Retained Earnings Available for Dividend Declaration at Beginning of Year, as Adjusted		858,408,027
Net Profit Realized during the Year		
Net profit per audited financial statements		147,454,815
Unappropriated Retained Earnings Available for Dividend Declaration at End of Year	**P**	**1,005,862,842**

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

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T +63 2 8988 22 88

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

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Solid Group, Inc. and Subsidiaries (the Group) for the years ended December 31, 2020 and 2019, on which we have rendered our report dated April 8, 2021. 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, 2020 and 2019 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. 8533227, January 4, 2021, Makati City
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BIR AN 08-002511-032-2019 (until Sept. 4, 2022)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

April 8, 2021

SOLID GROUP INC. AND SUBSIDIARIES
Supplemental Schedule of Financial Soundness Indicators
December 31, 2020 and 2019

Ratio	Formula	2020	Formula	2019
Current ratio	Total Current Assets divided by Total Current Liabilities Total Current Assets P 5,568,483,966 Divide by: Total Current Liabilities 423,565,631 Current ratio 13.15	13.15	Total Current Assets divided by Total Current Liabilities Total Current Assets P 5,682,254,806 Divide by: Total Current Liabilities 538,053,887 Current ratio 10.56	10.56
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 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	Quick Assets (Cash and cash equivalents + Short-term placements + Trade and other receivables - net) divided by Total Current Liabilities Cash and cash equivalent P 3,491,034,266 Short-term placements 762,445,571 Trade and other receivables - 611,560,303 Quick Assets 4,865,040,140 Divide by: Total Current Liabilities 538,053,887 Acid test ratio 9.04	9.04
Solvency ratio	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	Total Liabilities divided by Total Assets Total Liabilities P 1,479,336,986 Divide by: Total Assets 12,120,216,823 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 1,445,551,945 Divide by: Total Equity 10,856,311,642 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 1,477,455,416 Divide by: Total Equity 10,640,879,837 Debt-to-equity ratio 0.14	0.14
Gearing ratio	Financial Debt devided by Total Equity Financial Debt - Divided by: Total Equity 10,856,311,642 Gearing ratio -	0.00	Financial Debt devided by Total Equity Financial Debt P 67,956,468 Divided by: Total Equity 10,640,879,837 Gearing ratio 0.01	0.01
Assets-to-equity ratio	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	Total Assets divided by Total Equity Total Assets P 12,120,216,823 Divide by: Total Equity 10,640,879,837 Assets-to-equity ratio 1.14	1.14
Interest rate coverage ratio	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	Earnings before interest and taxes (EBIT) divided by Interest expense EBIT P 516,939,640 Divide by: Interest expense 4,159,285 Interest rate coverage ratio 124.29	124.29

SOLIDGROUP INC. AND SUBSIDIARIES
Supplemental Schedule of Financial Soundness Indicators
December 31, 2020 and 2019

Operating margin	Operating Profit divided by Total Revenue Operating Profit P 348,989,745 Divide by: Total Revenue 1,174,671,087 Operating margin 0.30	0.30	Operating Profit divided by Total Revenue Operating Profit P 431,951,698 Divide by: Total Revenue 2,665,257,981 Operating margin 0.16	0.16
Net profit margin	Net Profit divided by Total Revenue Net Profit P 223,055,723 Divide by: Total Revenue 1,174,671,087 Net profit margin 0.19	0.19	Net Profit divided by Total Revenue Net Profit P 226,564,994 Divide by: Total Revenue 2,665,257,981 Net profit margin 0.09	0.09
Return on assets	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	Net Profit divided by Total Assets Net Profit P 226,564,994 Divide by: Total Assets 12,120,216,823 Return on assets 0.02	0.02
Return on equity	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	Net Profit divided by Total Equity Net Profit P 226,564,994 Divide by: Total Equity 10,640,879,837 Return on equity 0.02	0.02

INDEX TO EXHIBITS

Form 17-A

* 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

SOLID GROUP INC.

SUSTAINABILITY REPORT

OF

SOLID GROUP INC. AND SUBSIDIARIES

Annex A: Reporting Template

(For additional guidance on how to answer the Topics, organizations may refer to Annex B: Topic Guide)

Contextual Information

Company Details	
Name of Organization	**Solid Group Inc.**
Location of Headquarters	2285 Don Chino Roces Avenue, Makati City
Location of Operations	Philippines
Report Boundary: Legal entities (e.g. subsidiaries) included in this report*	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 with operations in distribution (mobile devices under the Myphone brand, modular housing and professional equipment), real estate (property leasing, condo sales, hotel operation and investments) support services (electronics servicing, logistics, financing), and investments.
Reporting Period	December 31, 2020
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 explored several of the factors to consider about the impact of the pandemic on our materiality matrix, and established that updating would be appropriate. The GRI Standards topics that are material to our stakeholders were determined based on the gathered information from the parent company and its subsidiaries. We conducted the materiality process for each company to determine its material sustainability issues based on SASB Materiality Map and its impact on the economic, social and environmental performance that mostly affected our operations. We were able to identify aspects as our performance indicators which are the following: • Significant economic, environmental and social impacts of the company: o Economic: Economic performance o Human Capital: Labor Practices, Employee Health & Safety and Employee Engagement Diversity & Inclusion

[1] See GRI 102-46 (2016) for more guidance.

- Environment: Energy management, Air quality, Waste & Wastewater Management
- Social Capital: Data Security and Product Quality & Safety
- Leadership & Governance: Business Ethics

- Information that substantively influence the assessments and decisions of stakeholders, including investors, highlighting areas where the company needs to manage and monitor issues that are important but not currently addressed and identifying the areas of interest to the most important stakeholders, enabling our company to report concise information that gives a meaningful picture of progress to those that need it.

- Matters that substantively affect the company's ability to create value over the short, medium and long term and helping to identify where the company is creating, or reducing, value for society under the new normal.

Now on its second year, we believe 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.

Just as our company fully considers how sustainability topics interrelate with our business strategy, and develops sustainability materiality processes that link with the wider enterprise risk management process, we will be in a better position to inform investors, regulators and other stakeholders on our environmental, social and governance impacts, risks and opportunities, regardless of economic climate we are in.

Note: The term "Company" as used in subsequent pages refers collectively to SGI and its subsidiaries.

ECONOMIC

Economic Performance

Direct Economic Value Generated and Distributed

Disclosure	Amount	Units
Direct economic value generated (revenue)	1,174,671,087	PhP
Direct economic value distributed:		
a. Operating costs	753,088,194	PhP
b. Employee wages and benefits	247,346,738	PhP
c. Payments to suppliers, other operating costs	245,864,891	Php
d. Dividends given to stockholders and interest payments to loan providers	---	PhP
e. Taxes given to government	119,777,381	PhP
f. Investments to community (e.g. donations, CSR)	2,993,286	PhP

What is the impact and where does it occur? What is the organization's involvement in the	Which stakeholders are affected?	Management Approach

impact?		
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 distribution of MyPhone mobile phones and modular housing under Distribution segment; real estate (property 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?* The COVID-19 pandemic has a widespread effect on our business operations. There is a continuity plan and cash flow forecast to help sustain ongoing operations, albeit at a lower capacity, and facilitates recovery once the crisis is over. We managed our business operations with the fundamental business practices which resulted to a strong financial position and allowed for investments into new ventures during the year. Our focus on economic, social and environmental issues as they impact on business has shaped our approach to sustainability while creating long-term value for our stakeholders. The Company remains open to new opportunities as it implements reforms that will support strong and sustainable growth amidst the deepest global recession in decades.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify risk/s related to material topic of the organization The corona virus pandemic has developed rapidly in 2020. The Company has taken measures to lessen its impact on the company's business. There are risks from product substitution as customers	Directors, employees, government (and its agencies), owners (shareholders), suppliers, customers, and the community	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

switch to more sustainable alternatives. As organizations continue to adapt to remote work environments, the market quickly took a downward spiral and saw a suspended or slow progress on new transactions for all segments.		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 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 sets out visions in the midst of economic downturn 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 climate-related risks and opportunities	Disclose the actual and potential impacts[3] of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material	Disclose how the organization identifies, assesses, and manages climate-related risks	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material
Recommended Disclosures			

[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.

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 and Nominations Committee. The Risk Management Committee oversees risk management, including climate-related transition and	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-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	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.

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.	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 associated with the customers.	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.
	c) Describe the resilience of the organization's	c) Describe how processes for identifying,	

	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.	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	*(e.g. employees, community, suppliers, government, vulnerable groups)* Employees, suppliers,	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?*

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.	customers and government regulatory body	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 Wide range of business contacts in sourcing of quality materials and supplies	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 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) Corruption may occur within the organization and may appear as theft, embezzlement, nepotism, bribery, extortion, or as undue influence and may occur anywhere within the Company, be it in service provision, purchasing, construction and hiring. *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 the anti-corruption training within the Company in 2019.	*(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 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 inhibits economic growth and affects business operations. Corruption increases transaction costs and creates insecurity in the economy. Everyone from the board of directors, the business owner and the compliance function need to make 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 compliance in Code of Conduct by outlining whistleblowing procedures and red flags to look out for.	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 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 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	Directors, employees, government (and its agencies), owners (shareholders), suppliers and customers	To mitigate these risks, the Company implements well-defined policies and effective platforms to proactively manage and oversee all aspects of the business. Various risk mitigation strategies are being adopted through the following: 1. Effective policies and procedures to prevent corruption 2. Effective procurement practices

others.		4. Practicing sound contracting practices and procedures 5. Ensuring the close supervision of every stage of the business processes 6. Keeping complete, accurate and transparent records in all processes 7. Adopting measures to reduce corruption in the supply chain
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)	976	GJ
Energy consumption (LPG)	-	GJ
Energy consumption (diesel)	11,686	GJ
Energy consumption (electricity)	5,206,822	kWh

Reduction of energy consumption

Disclosure	Quantity	Units
Energy reduction (gasoline)	-	GJ
Energy reduction (LPG)	-	GJ
Energy reduction (diesel)	-	GJ
Energy reduction (electricity)	-	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?* Environmental stewardship is at the core of our commitment to go green and help in building a better working world. By starting with the little things in the workplace like waste elimination, reduction and recycling, taking the stairs instead of the lift one floor up or down, or turning off the lights when not in use or when natural light is available and no idling of vehicles, among others, we are able to promote a culture of responsible resource use, sustainable practices and genuine care for the environment.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify risk/s related to material topic of the organization Increased costs and health risk.	Directors, employees, government (and its agencies), owners (shareholders), suppliers, customers and the public	The Company implements efficient use of energy through consumption reduction in all facets of the organization taking into consideration the savings it can generate and the benefits of lesser GHG emission in the environment. It believes that through this, it will safeguard nature from potentially damaging business operations, constructing a win-win situation 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 (shareholders), suppliers,	The Company has taken a range of approaches to promoting energy efficiency. It advocates energy efficiency which can create cleaner environment

Cleaner environment, reduced energy cost	customers and the public	and reduced energy costs.

Water consumption within the organization

Disclosure	Quantity	Units
Water withdrawal	61,155	Cubic meters
Water consumption	61,155	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 operation and events, condo 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), creates new standards for water efficiency, and makes sizeable cuts to water use.
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 (shareholders), suppliers, customers and the public	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	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	1,198	kg/liters
• non-renewable	108,480	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 including hotels and condominium it operates. *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)* 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?* Proper segregation and disposal of material wastes. The Company is working on materials management including reducing waste as part of its environmental, health and social responsibility environmentally preferable products and usage from lighting to water conservation, among others.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify risk/s related to material topic of the organization	Directors, employees,	The Company is working on materials

The Company has no data for this period but will provide in the future	government (and its agencies), owners (shareholders), suppliers, customers and the public	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 in the future	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

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
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.	*(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?*
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.	This is not applicable to the present operation of the company.

[4] International Union for Conservation of Nature

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 (65) Diesel (799)	864	Tonnes CO_2e
Energy indirect (Scope 2) GHG Emissions	4,061	Tonnes CO_2e
Emissions of ozone-depleting substances (ODS)	799	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)*	*(e.g. employees, community, suppliers, government, vulnerable groups)* Directors, employees, government (and its agencies), owners (shareholders), suppliers,	*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

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.	customers and the public	management approach in the future regarding GHG management.
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 (shareholders), suppliers, customers and the public	The Company will work for a comprehensive and detailed management approach in the future 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	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

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	Which stakeholders are affected?	Management Approach

impact?		
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	1,198	kg
Composted	-	kg
Incinerated	-	kg
Residuals/Landfilled	351,980	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	-	kg
Total weight of hazardous waste transported	-	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 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)*	*(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.
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	36,000	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) 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, guests water consumptions	*(e.g. employees, community, suppliers, government, vulnerable groups)* Employees, tenants, customers/clients, guests, suppliers	*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 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	Employees, tenants, customers/clients, guests, suppliers	The Company will work for a comprehensive and detailed management approach in the future

sustainable water supply		
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 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 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	162	#
b. Number of male employees	218	#
Attrition rate[6]	-0.133	rate
Ratio of lowest paid employee against minimum wage	2%	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	18	18
PhilHealth	Y	14	16
Pag-ibig	Y	23	26
Parental leaves	Y	0	.5
Vacation leaves	Y	77	80
Sick leaves	Y	0	0
Medical benefits (aside from PhilHealth))	N	36	49

[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)

Housing assistance (aside from Pag-ibig)	N	0	0
Retirement fund (aside from SSS)	Y	0	1
Further education support	N	0	0
Company stock options	N	0	0
Telecommuting	Y	23	27
Flexible-working Hours	Y	20	13
(Others)	Y	0	0r

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. *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?* With the right platform, the Company can provide what employees want and deliver a compelling benefits package to meet their individual needs such as work from home, financial help and equip managers with tools to engage remote workers. It is the aim of the Company to conduct training programs to further enhance the organization's development and nurture knowledge and skills for both parties' benefits.
What are the Risk/s Identified?	**Management Approach**
Identify risk/s related to material topic of the organization Toll of pandemic on the mental health of the employees	From the company's point of view, the focus has been and continues to be on stabilizing business activity. 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.
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	282	hours
b. Male employees	1,216	hours
Average training hours provided to employees		
a. Female employees	5	hours/employee
b. Male employees	20	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. .
What are the Risk/s Identified?	**Management Approach**
Identify risk/s related to material topic of the organization Training needs and analysis	Training programs are provided to strengthen those skills that each employee needs to improve.
What are the Opportunity/ies Identified?	**Management Approach**
Identify the opportunity/ies related to material topic of the organization Training needs and analysis	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	243	#

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) Compliance of labor laws *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?* It is the policy of the company to have a sound worker-management relationship as a key ingredient to the long-term sustainability of the operation of the Company.
What are the Risk/s Identified?	**Management Approach**
Identify risk/s related to material topic of the organization Unionized organization	The Company has fair labor practices which avoids adversarial 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*	7 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 Diverse workforce consists of individuals belonging to unique cultures who have different characteristics, aspirations, and expectations which poses risk in the workplace. Employees from different backgrounds such as age, gender and cultural backgrounds have different needs and feel the urge to be respected in their workplace.	Management understands the need of these diverse groups of people so as to avoid employee tensions and conflicts. The Company maintains and promotes harmony in the workplace as it believes its importance in increasing productivity and equality within the organization.
What are the Opportunity/ies Identified?	**Management Approach**
Identify the opportunity/ies related to material topic of the organization Diversity in the workplace promotes innovation.	It is evident that diversity in the work place creates more innovative business outputs. The Company has a diverse team that can generate more creative, innovative ideas. Skills diversity also comes into play here. Good diversity management is key to business success.

Workplace Conditions, Labor Standards, and Human Rights

Occupational Health and Safety

Disclosure	Quantity	Units
Safe Man-Hours	714,622	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	31	#

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	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	Management approach may include continuously reviewing and realigning policies according to national or international standards while maintaining its stability by imbibing 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 has no data for this period but will be working 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 this period but will be working on it 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?	**Management Approach**
Identify risk/s related to material topic of the organization The Company has no data for this period but will be working on it in the future.	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 has no data for this period but will be working on it in the future.	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	Location	Vulnerable groups (if applicable)*	Does the particular operation have impacts on indigenous	Collective or individual rights that have been identified that or particular	Mitigating measures (if negative) or enhancement measures (if positive)

communities (exclude CSR projects; this has to be business operations)			people (Y/N)?	concern for the community	
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 no significant impacts with the local community but will consider in the future when the right opportunities come in.	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 no significant impacts with the local community but will consider in the future when the right opportunities come in.	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) 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)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?* 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 shift 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	**Management Approach**

is the organization’s involvement in the impact?	
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	Management Approach

is the 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 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	0	#

of data		

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,	The Company was able identify the probable areas of problems, risks and threats related to data privacy and security by understanding its full

database contamination and risk of being breached.	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 The proactive effort of resolving these hazards to have a sustainable security as a main company goal, as it's the only technique poised to take our business through the constantly changing security challenges of today.	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 adopts a sustainable environment both in physical and digital aspect to ensure that resources remain accessible.

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	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.

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 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 & 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	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	Pollution	By developing and providing quality, reliable, sustainable and resilient mobility solutions and infrastructure, we help increase resource-use efficiency and the adoption of cleaner and environmentally sound technologies. 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.*

C O V E R S H E E T

SEC Registration Number

								8	4	5

Company Name

S O L I D G R O U P I N C . A N D

S U B S I D I A R I E S

Principal Office (No./Street/Barangay/City/Town/Province)

2 2 8 5 D O N C H I N O R O C E S A V E N U E

M A K A T I C I T Y

Form Type	Department requiring the report	Secondary License Type, If Applicable
SEC FORM 17Q	CGFD	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, 2021

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, 2021 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 2021 and 2020 are as follows:

	2021	2020
Revenue growth(decline)	24%	(56%)
Asset turnover	12%	10%
Operating expense ratio	25%	37%
EBITDA	P47 million	P34 million
EPS	P0.009	(P0.002)
Current ratio	11.65:1	13.15:1
Debt to equity ratio	0.14:1	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 rose by 24% for the first quarter of 2021 vs. 56% decrease for the same period in 2020 principally due to higher revenues of the distribution and technical support & solutions business segments.

Asset turnover stood at 12% for the first quarter of 2021 versus 10% for the first quarter of 2020 as a result of higher revenues reported for the period.

Operating expense ratio dropped to 25% for the first quarter of 2021 from 37% for the same period of 2020 principally due to higher revenues for the period.

EBITDA grew to P47 million for the first quarter of 2021 from P34 million for the same period in 2020. This was mainly driven by better performance of the technical support and solution and the distribution segments although the distribution segment still registered net loss.

Earnings per share went up to P0.009 for the first quarter of 2021 from loss per share of P0.002 for the same period in 2020 mainly from higher net income for the period.

Current ratio was 11.65:1 as of March 31, 2021 and 13.15:1 as of December 31, 2020 primarily due to increase in current liabilities.

Debt to equity ratio stood at 0.14:1 as of March 31, 2021 from 0.13: 1 as of December 31, 2020 primarily due to higher liabilities.

Results of Operations

Revenues improved by 24% in the first quarter of 2021 reaching P362 million from P291 million for the same period in 2020 from higher revenues of the distribution and technical support & solutions business segments as explained below.

Sale of goods grew by 205% to P148 million for the first quarter of 2021 from P48 million for the same period in 2020 mainly 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 took over the direct distribution for VisMin upon the withdrawal of its distributor for the said area, resulting to higher sales albeit lower service income. Moreover, the Company registered improved sales of prefabricated modular houses under the distribution segment as well as sale of tablet devices to government units of the technical support and solution segment in relation to online based classes.

Service revenue fell to P142 million for the first quarter of 2021, down by 6% for the same period in 2020 of P150 million mainly due to decline in revenues from hotel and events operations of the property and related services segment as a result of travel restrictions imposed during the pandemic and ban of mass gathering.

Rental income slightly grew by 2% to P62 million for the first quarter of 2021 from P61 million for the same period in 2020 mainly due to higher occupancy.

Interest income dropped to P8 million for the first quarter of 2021, down by 73% from P30 million for the same period in 2020 due to lower interest rates.

Sale of real estate was nil for the first quarter of 2021 and 2020.

Cost of sales, services, real estate sold and rentals grew to P261 million for the first quarter of 2021, a 34% escalation from P194 million for the same period in 2020 as discussed below.

Cost of sales reached P119 million for the first quarter of 2021, an increase of 153% from P47 million for the same period of last year in relation to increase in sales.

Cost of services amounted to P106 million for the first quarter of 2021 from P111 million for the same period of 2020, down by 4 % mainly associated to lower service revenue.

Cost of rentals was maintained at P35 million for the first quarter of 2021 and 2020. There was no material change for this account.

Gross profit went up to P100 million from P97 million for the same period in 2020. Despite the improved revenues, gross profit was only higher by 4% as indicated by the higher sales and lower service income of the distribution segment.

Other operating expenses (income) amounted to P81 million for the first quarter of 2021 from P93 million for the same period of 2020 as explained below.

General and administrative expenses dropped by 9% to P80 million for the first quarter of 2021 from P88 million for the same period of 2020 mainly due to lower personnel cost of the distribution segment.

Selling and distribution costs decreased by 38% to P11 million for the first quarter of 2021 from P18 million for the same period of 2020 mainly from lower manpower, warranty and professional fees of the distribution and property and related services segments.

Other operating income – net declined to P10 million for the first quarter of 2021, down by 24% from P13 million for the same period in 2020 principally due to lower income from utilities charged to tenants of the property and related services segment.

Operating profit (loss) improved by 444% to P19 million for the first quarter of 2021 from P3.5 million for the same period in 2020, associated with the decline in other operating expenses as explained above.

Other income (charges) went down to P5.6 million income for the first quarter of 2021 against P7 million for the same period in 2020 mainly from the following:

Finance costs dropped by 23% to P0.7 million for the first quarter of 2021 from P0.9 million in 2020 primarily due to interest expense in 2020, nil in 2021 offset by higher foreign currency exchange loss.

Finance income fell by 25% to P5 million for the first quarter of 2021 as compared with P7 million for the same period of last year mainly due to lower interest income from lower yield of investible funds compensated by higher foreign currency gains.

Other gains - net amounted to P0.7 million income in the first quarter of 2021, or higher by 48% compared with P0.5 million of the previous year mainly from gain on sale of property and other gains.

Profit before tax was P24.9 million for the first quarter of 2021, an increase of 135% from P10.5 million for the same period in 2020 mainly due to higher operating profit mentioned above.

Tax expense went down to P8.5 million for the first quarter of 2021 from P10.5 million for the same period in 2020. Notwithstanding the greater pre-tax income, tax expense was lower attributable decline in corporate income tax rates to 25% from the implementation of CREATE Law. Also, given that the CREATE Law was signed after the end of 2020 reporting period and the Company determined that this event was a non-adjusting subsequent event in the 2020 financial statements, the tax income relative to the retroactive effect of the CREATE Law to July 1, 2020 of P4 million was reported as tax income in the 1st quarter of 2021.

Net profit increased to P16 millionfor the first quarter of 2021 against P65 thousand net profit for the same period in 2020 due to the better performance of the technical support and solution and the distribution segments although the distribution segment still registered net loss. In addition, the Company posted tax income as explained above in relation to the CREATE Law.

Net loss attributable to equity holders of the parent amounted to P16 million for the first quarter of 2021 against P2.7 million net profit in for the same period of 2020 as discussed above.

Net profit attributable to non-controlling interest (NCI) amounted to P16 million for the first quarter of 2021 compared with P2.7 million net loss in 2020 primarily due to higher minority share in net income for the period.

Financial Position

Cash and cash equivalents amounted to P1,021 million as of March 31, 2021 up by 11% from P918 million as of December 31, 2020. Cash was primarily provided from operating activities mainly from decrease in other current assets and trade & other payables.

Short-term placements was slighter lower at P3,316 million as of March 31, 2021 from P3,326 million as of December 31, 2020 from maturities of time deposits.

Trade and other receivables reached P353 million as of March 31, 2021 against P315 million as of December 31, 2020, an increase of 12% from higher receivables 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 went up to P27 million as of March 31, 2021, up by 25% from P21 million as of December 31, 2020 from deposits for future stock subscription of the investment and other segment.

Merchandise inventories and supplies - net amounted to P209 million as of March 31, 2021, increasing by 6% compared with P198 million as of December 31, 2020 mainly from higher merchandise and finished goods of the distribution segment.

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

Other current assets went down by 19% to P284 million as of March 31, 2021 compared with P351 million as of December 31, 2020 mainly due to lower deferred cost and prepayments.

Total current assets reached P5,650 million as of March 31, 2021 from P5,568 million as of December 31, 2020 mainly from higher cash and cash equivalents and trade and other receivables-net offset by lower other current assets as discussed above.

Non-current trade and other receivables stood at P757 million as of March 31, 2021 from P750 million as of December 31, 2020. There was no material change for this account.

Financial assets at fair value through other comprehensive income amounted to P24.1 million as of March 31, 2021 and December 31, 2020. There was no change for this account.

Property and equipment amounted to P1,670 million as of March 31, 2021 from P1,680 million as of December 31, 2020. There was no material change for this account.

Investment property increased to P4,039 million as of March 31, 2021 from P4,035 as of December 31, 2020. There was no material change for this account.

Rights-of-use (ROU) assets – net was P8.5 million as of March 31, 2021, lower by 11% from P9.5 million as of December 31, 2020 from depreciation of ROU assets under PFRS 16, Leases.

Post-employment benefit assets stood at P 138 million as of March 31, 2021 and as of December 31, 2020. There was no change for this account.

Deferred tax assets - net amounted to P70 million as of March 31, 2021 and as of December 31, 2020. There was no change for this account.

Other non-current assets amounted to P26 million as of March 31, 2021 and P26.4 million as of December 31, 2020. There was no material change for this account.

Total non-current assets amounted to P6,735 million as of March 31, 2021 and as of December 31, 2020 as discussed above.

Total assets reached P12,385 million as of March 31, 2021 from P12,303 million as of December 31, 2020 as discussed above.

Trade and other payables rose to P456 million as of March 31, 2021 against P397 million as of December 31, 2020, up by 15% due to higher trade and non-trade payables of the distribution and technical support and solution segments.

Customers' deposits stood at P15.7 million as of March 31, 2021 and December 31, 2020. There was no material change for this account.

Lease liabilities went down by 12% to P3.6 million as of March 31, 2021 from P4.1 million as of December 31, 2020 due to payments of lease liabilities.

Advances from related parties amounted to P1.8 million as of March 31, 2021 and as of December 31, 2020. No change for this account.

Income tax payable rose by 57% to P7.2 million as of March 31, 2021 from P4.6 million as of December 31, 2020 mainly from tax expense for the period.

Total current liabilities increased to P484 million as of March 31, 2021 from P423 million as of December 31, 2020 due to higher trade and other payables.

Non-current refundable deposits amounted to P29 million as of March 31, 2021 from P28.8 million as of December 31, 2020. There was no material change for this account.

Non-current lease liabilities was pegged at P6 million as of March 31, 2021 and as of December 31, 2020. No change for this account.

Post-employment benefit obligation stood at P27.5 million as of March 31, 2021 and as of December 31, 2020. This represents the unfunded retirement obligation of certain subsidiaries.

Deferred tax liabilities -net amounted to P961 million as of March 31, 2021 and as of December 31, 2020. There was no change for this account.

Total non-current liabilities amounted to P 1,024 million as of March 31, 2021 from P1,023 million as of December 31, 2020.

Total liabilities amounted to P1,508 million as of March 31, 2021 from P1,447 million as of December 31, 2020.

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

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

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

Revaluation reserves rose by 37% to P14.9 million as of March 31, 2021 from P10.9 million as of December 31, 2020 due to gains on currency exchange differences in translating financial statements of foreign operation.

Retained earnings increased to P3,937 million as of March 31, 2021 from P3,921 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 P10,509 million as of March 31, 2021 and P10,489 million as of December 31, 2020.

Non-controlling interests amounted to P366 million as of March 31, 2021 and as of December 31, 2020. There was no material change for this account.

Total equity amounted to P10,876 million as of March 31, 2021 from P10,856 million as of December 31, 2020.

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 2021 to amount to P1.26 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.

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. On March 1, 2021, the Philippines started its vaccination roll-out. In March 2021, amid the sudden surge of the infections, President Duterte declared Metro Manila, Rizal, Bulacan, Laguna and Cavite (NCR Plus) under ECQ from March 29 to April 11, 2021 in an effort to slow the outbreak worse than last year. Since then, NCR Plus gradually opened up its businesses. However, due to the uncertainty of permanent business reopening fueled by soaring number of infections, the Company expects its group-wide revenues and income from continuing operations and financial condition to be negatively impacted by this pandemic.

Alongside the sales decline in 2020 due to the pandemic, 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 last quarter of 2019. While MySolid sold its most of its products under this distribution model, it lost its key distributor in 2020. Furthermore, a corporate restructuring has been ongoing including a review of operations, market situation and new technologies towards sustainability in the long term. The Company expect the distribution segment to generate improved revenues in 2021 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. The Company is currently negotiating with CDC for the renewal of lease contract of the remaining building. As a result, the Company expects Kita to incur losses in 2021.

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, loss of key distributor in 2020 and business interruption from this pandemic contributed to significant drop in revenues of MySolid of about 80% in 2020. In 2021, MySolid took over the direct distribution for VisMin upon the withdrawal of its distributor for the said area, resulting to better topline (higher sales albeit lower service income).

Based on the appraisal reports obtained in 2020, the Company reported fair value gains on investment property of P265 million as at year-end of 2020.

Discussion of the material changes for each account is included in the Management Discussion and Analysis of this report.

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 20, 2021

Solid Group Inc. and Subsidiaries

Unaudited Consolidated Financial Statements as of March 31, 2021 and for the Three Months Ended March 31, 2021 and March 31, 2020

(with Comparative Audited Consolidated Statements of Financial Position as of December 31, 2020)

SOLID GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2021 AND DECEMBER 31, 2020
(Amounts in Philippine Pesos)

	Notes	2021	2020
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		P 1,021,567,714	P 918,335,159
Short-term placements		3,316,618,613	3,326,476,937
Trade and other receivables - net		353,848,343	315,156,350
Advances to related parties		27,052,451	21,572,451
Merchandise inventories and supplies - net		209,510,546	198,355,670
Real estate inventories - net		437,128,195	437,128,195
Other current assets		284,352,261	351,459,204
Total Current Assets		5,650,078,123	5,568,483,966
NON-CURRENT ASSETS			
Trade and other receivables		757,402,813	750,895,379
Financial assets at FVOCI		24,100,000	24,100,000
Property and equipment - net		1,670,728,827	1,680,005,586
Investment properties - net		4,039,464,554	4,035,019,552
Right-of-use asset - net		8,526,902	9,549,297
Post-employment benefit asset		138,381,533	138,381,533
Deferred tax assets - net		70,838,052	70,838,052
Other non-current assets - net		26,034,511	26,471,792
Total Non-current Assets		6,735,477,192	6,735,261,191
TOTAL ASSETS		P 12,385,555,315	P 12,303,745,157

	Notes	2021	2020
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Interest-bearing loans		P -	
Trade and other payables		456,281,396	397,195,540
Customers' deposits		15,741,345	15,717,370
Lease liabilities		3,632,757	4,150,895
Advances from related parties		1,881,570	1,881,570
Income tax payable		7,265,995	4,620,256
Total Current Liabilities		484,803,063	423,565,631
NON-CURRENT LIABILITIES			
Refundable deposits		29,099,010	28,889,217
Lease liabilities		6,370,471	6,370,471
Post-employment benefit obligation		27,595,698	27,595,698
Deferred tax liabilities - net		961,012,498	961,012,498
Total Non-current Liabilities		1,024,077,677	1,023,867,884
Total Liabilities		1,508,880,740	1,447,433,515
EQUITY			
Equity attributable to the Parent Company's stockholders			
Capital stock		2,030,975,000	2,030,975,000
Additional paid-in capital		4,641,701,922	4,641,701,922
Treasury shares - at cost		(115,614,380)	(115,614,380)
Revaluation reserves		14,959,854	10,921,262
Retained earnings		3,937,824,411	3,921,769,622
Total equity attributable to the Parent Company's stockholders		10,509,846,807	10,489,753,426
Non-controlling interests		366,827,768	366,558,216
Total Equity		10,876,674,575	10,856,311,642
TOTAL LIABILITIES AND EQUITY		P 12,385,555,315	P 12,303,745,157

See Notes to Consolidated Financial Statements.

SOLID GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE MONTHS ENDED MARCH 31, 2021 AND 2020
(Amounts in Philippine Pesos)

	Notes	2021	2020
REVENUES			
Sale of goods		P 148,717,750	P 48,716,808
Rendering of services		142,179,702	150,582,077
Rentals		62,998,511	61,869,623
Interest		8,110,371	30,231,010
Sale of real estate		-	-
		362,006,334	291,399,518
COST OF SALES, SERVICES, REAL ESTATE SOLD AND RENTALS			
Cost of sales		119,407,615	47,210,176
Cost of services		106,684,236	111,620,939
Cost of rentals		35,227,257	35,522,841
Cost of real estate sold		-	-
		261,319,108	194,353,956
GROSS PROFIT		100,687,226	97,045,562
OTHER OPERATING EXPENSES (INCOME)			
General and administrative expenses		80,624,675	88,911,702
Selling and distribution costs		11,143,912	18,092,418
Other operating loss (income) - net		(10,303,798)	(13,492,251)
		81,464,789	93,511,869
OPERATING PROFIT (LOSS)		19,222,437	3,533,693
OTHER INCOME (CHARGES)			
Finance costs		(742,673)	(958,519)
Finance income		5,640,150	7,487,429
Other gains (losses) - net		787,208	531,243
		5,684,685	7,060,153
PROFIT (LOSS) BEFORE TAX		24,907,122	10,593,846
TAX EXPENSE (INCOME)		8,582,781	10,528,262
NET PROFIT (LOSS)		P 16,324,341	P 65,584
Net Profit (Loss) for the period attributable to the:			
Parent Company's stockholders		P 16,054,789	(P 2,786,478)
Non-controlling interests		269,552	2,852,062
		P 16,324,341	P 65,584
Earnings (Loss) per share attributable to the Parent Company's stockholders		P 0.009	(P 0.002)

See Notes to Consolidated Financial Statements.

SOLID GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE MONTHS ENDED MARCH 31, 2021 AND 2020
(Amounts in Philippine Pesos)

	Notes	2021	2020
NET PROFIT (LOSS)		**P 16,324,341**	P 65,584
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that will be reclassified subsequently to profit or loss:			
Currency exchange differences on translating financial statements of foreign operations		4,038,592	2,646,792
Other comprehensive income (loss) – net of tax		**4,038,592**	2,646,792
TOTAL COMPREHENSIVE INCOME		**P 20,362,933**	P 2,712,376
Total comprehensive income (loss) attributable to:			
Parent Company's stockholders		**P 20,093,381**	(P 139,686)
Non-controlling interests		**269,552**	2,852,062
		P 20,362,933	P 2,712,376

See Notes to Consolidated Financial Statements.

SOLID GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE MONTHS ENDED MARCH 31, 2021 AND 2020
(Amounts in Philippine Pesos)

	Notes	2021	2020
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		10,921,262	18,545,180
Other comprehensive income (loss) for the period		4,038,592	2,646,792
Balance at end of the period		14,959,854	21,191,972
RETAINED EARNINGS (DEFICIT)			
Balance at beginning of year			
As previously reported		3,921,769,622	3,701,620,122
Profit (loss) for the period attributable to Parent Company's stockholders		16,054,789	(2,786,478)
Cash dividends		-	-
Balance at end of the period		3,937,824,411	3,698,833,644
Total Equity Attributable to the Parent Company's stockholders		10,509,846,807	10,277,088,158
NON-CONTROLLING INTERESTS			
Balance at beginning of year		366,558,216	363,651,993
Profit (loss) for the period attributable to Non-controlling interests		269,552	2,852,062
Balance at end of the period		366,827,768	366,504,055
TOTAL EQUITY		P 10,876,674,575	P 10,643,592,213

See Notes to Consolidated Financial Statements.

SOLID GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE MONTHS ENDED MARCH 31, 2021 AND 2020
(Amounts in Philippine Pesos)

	Notes	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit (loss) before tax		24,907,122	10,593,846
Adjustments for:			
Interest income		(10,017,247)	(35,606,345)
Depreciation and amortization		22,193,107	22,452,679
Interest expense		-	851,128
Unrealized foreign currency losses (gains) - net		(3,637,470)	(1,324,155)
Loss (gain) on sale of property and equipment		(132,143)	(6,349)
Operating profit before working capital changes		33,313,369	(3,039,196)
Decrease (increase) in short-term placements		9,858,324	
Decrease (increase) in trade and other receivables		(45,375,501)	64,868,499
Decrease (increase) in merchandise inventories and supplies		(11,154,876)	18,063,084
Decrease (increase) in real estate inventories		-	
Decrease (increase) in advances to related parties		(5,480,000)	974,060
Decrease (increase) in other current assets		64,109,281	703,673,983
Decrease (increase) in other non-current assets		437,281	(3,456,117)
Increase (decrease) in trade and other payables		59,085,856	(68,123,139)
Increase (decrease) in customers' deposits		23,975	4,482,735
Increase (decrease) in advances from related parties		-	33,948
Increase (decrease) in refundable deposits		209,793	197,795
Increase (decrease) in retirement benefit obligation		-	
Increase (decrease) in deferred tax liabilities		-	-
Cash generated from (used in) operations		105,027,502	717,675,652
Interest received		11,086,288	16,326,207
Cash paid for income taxes		(1,319,256)	(971,544)
Net Cash From (Used in) Operating Activities		114,794,534	733,030,315
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease (acquisitions) of property and equipment		(11,761,810)	(5,828,738)
Interest received		1,525,501	4,300,268
Proceeds from disposal of property and equipment			
Decrease (additions) to investment property		(4,445,002)	(12,078,217)
Net Cash From (Used in) Investing Activities		(14,681,311)	(13,606,687)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from (repayments of) interest-bearing loans - net		-	
Payment of lease liabilities and interest expense		(518,138)	(2,413,599)
Interest paid		-	(1,602,462)
Net Cash From (Used in) Financing Activities		(518,138)	(4,016,061)
Effect of Currency Rate Changes on Cash and Cash Equivalents		3,637,470	1,324,155
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		103,232,555	716,731,722
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		918,335,159	3,491,034,266
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		P 1,021,567,714	P 4,207,765,988

See Notes to Consolidated Financial Statements.

SOLID GROUP INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2021 and DECEMBER 31, 2020
(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"):

Subsidiaries	Percentage of Ownership 2021	2020	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 pre-fabricated modular house and office units
Solid Manila Corporation (SMC)	**100**	100		Real estate
Solid Manila Finance, Inc. (SMFI)	**100**	100		Financing
Solid Video Corporation (SVC)	**100**	100		Trading of professional audio/ video equipment
Zen Towers Corporation (ZTC)	**100**	100		Real estate
MyApp Corporation (MyApp)	**100**	100	c	Investment holding company
Casa Bocobo Hotel, Inc. (CBHI)	**100**	100	b	Hotel and restaurant operation
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

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 offices 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 offices and principal places of business of the other subsidiaries are as follows:

BRL	- 2nd Floor, Abbott Building, P.O. Box 933, Road Town, Tortola, British Virgin Islands
Kita	- N7175 Gil Puyat Ave. cor. Feati St., Clark Freeport Zone, Clarkfield, Pampanga
OSSI	- Solid 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 Impact of COVID-19 Pandemic on the Group's Business

The coronavirus disease (COVID-19) started to become widespread in the Philippines in early March 2020. The measures taken by the government to contain the virus have affected economic conditions and the Group's business operations.

The following are the impact of the COVID-19 pandemic to the Group's business for the year 2020:

- decline in total revenues in 2020 by 55.9% or P1,490.6 million compared to that of 2019;
- decline in total costs of sales, services, rentals and real estate sales in 2020 by 62.3% or P1,244.3 million compared to that of 2019;
- decline in selling and distribution costs in 2020 by 76.0% or P131.4 million compared to that of 2019;
- recognition of impairment on trade and other receivables, advances to related parties, land and land development costs and intangible assets amounting to P13.0 million, P5.7 million, P0.6 million and P0.3 million, respectively (see Notes 6.7, 9.1, 13.1, 18 and 25.4);
- temporary closure of hotels and branches and suspension of operations;
- retrenchment of employees;
- rental discounts were granted upon request by several lessees;
- SMFI granted two to four months grace period to its customers for the repayment of loans as mandated under RA No. 11469, *Bayanihan to Heal as One Act*; and,
- additional administrative expenses were incurred to ensure health and safety of its employees such as frequent disinfection of workplace, provision of protective equipment such as face masks, face shields and alcohol and COVID-19 testing for the employees.

In response to this matter, the Group has taken the following actions:

- 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);
- deferred payment of annual dividends;
- entered into transaction with certain government agencies for the sale of prefabricated modular houses as quarantine facilities (see Note 4.1);
- implemented cost-saving strategies such as reduction of expenses incurred for equipment costs, advertising and promotions, transportation and travel, installation costs and utilities and communication;
- implemented safety measures and activated business continuity plan; and,
- implemented a flexible working arrangement to lessen exposure of the employees to the virus.

Based on the above actions and measures taken by management to mitigate the adverse effect of the pandemic, it projects that the Group would continue to report positive results of operations and would remain liquid to meet current obligation as it falls due. Accordingly, management has not determined material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.

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, 2020 (including the comparative consolidated financial statements as of December 31, 2019 and for the years ended December 31, 2019 and 2018) were authorized for issue by the Parent Company's BOD on April 8, 2021.

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) 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.

(c) *Functional and Presentation Currency*

These consolidated financial statements are presented in Philippine pesos, the Group's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the consolidated financial statements of the Group are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the Group operates.

2.2 Adoption of New and Amended PFRS

(a) *Effective in 2021 that are Relevant to the Group*

There are no PFRS that are relevant to the Group to be adopted effective for annual periods beginning on January 1, 2021.

(b) *Effective Subsequent to 2021 but not Adopted Early*

There are pronouncements effective for annual periods subsequent to 2021, which are adopted by the FRSC. Management will adopt the relevant pronouncements below and in the succeeding page in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Group's financial statements.

(i) PAS 16 (Amendments), *Property, Plant and Equipment – Proceeds Before Intended Use* (effective January 1, 2022). The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.

(ii) PAS 37 (Amendments), *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract* (effective January 1, 2022). The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labor, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

(iii) PFRS 3 (Amendments), *Business Combination – Reference to the Conceptual Framework* (effective January 1, 2022). The amendments update an outdated reference to the Conceptual Framework in PFRS 3 without significantly changing the requirements in the standard.

(iv) Annual Improvements to PFRS 2018-2020 Cycle. Among the improvements, the following amendments, which are effective from January 1, 2022, are relevant to the Group:

a. PFRS 9 (Amendments), *Financial Instruments – Fees in the '10 percent' Test for Derecognition of Liabilities.* The improvements clarify the fees that a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

b. Illustrative Examples Accompanying PFRS 16, *Leases – Lease Incentives.* The improvement merely removes from the example the illustration of the reimbursement of leasehold improvements by lessor in order to resolve any potential confusion regarding the treatment of lease incentives.

(v) PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current* (effective January 1, 2023). The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

(vi) 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). The amendments to PFRS 10 require full recognition in the investor's financial statements of gains or losses arising on the sale or contribution of assets that constitute a business as defined in PFRS 3 between an investor and its associate or joint venture.

Accordingly, the partial recognition of gains or losses (i.e., to the extent of the unrelated investor's interests in an associate or joint venture) only applies to those sale of contribution of assets that do not constitute a business. Corresponding amendments have been made to PAS 28 to reflect these changes. In addition, PAS 28 has been amended to clarify that when determining whether assets that are sold or contributed constitute a business, an entity shall consider whether the sale or contribution of those assets is part of multiple arrangements that should be accounted for as a single transaction.

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 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) *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).

(i) Classification and Measurement of Financial Assets

The classification and measurement of financial assets are driven by the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The classification and measurement of financial assets are described below and in the succeeding pages:

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 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, Advances to Related Parties, 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 Fair Value Through Other Comprehensive Income (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 fair value through profit or loss (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.

Any dividends earned on holding equity instruments 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.

Interest income on financial assets measured at amortized cost and debt financial assets measured at FVOCI is 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.

The Group can only reclassify financial assets if the objective of its business model for managing those financial assets changes. Accordingly, the Group is required to reclassify financial assets: (i) from amortized cost to FVTPL, if the objective of the business model changes so that the amortized cost criteria are no longer met; and, (ii) from FVTPL to amortized cost, if the objective of the business model changes so that the amortized cost criteria start to be met and the characteristic of the instrument's contractual cash flows meet the amortized cost criteria.

A change in the objective of the Group's business model will take effect only at the beginning of the next reporting period following the change in the business model.

(ii) Impairment of Financial Assets

At the end of the reporting period, the Group assesses and recognizes its 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 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, which 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, are recognized when the Group becomes a party to the contractual terms of the instrument. All interest-related charges are recognized as an expense in profit or loss 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. The outstanding amount of interest-bearing loans is nil as of December 31, 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 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 the Other Current Assets 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.

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 warranty 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*

(i) Accounting for Leases in Accordance with PFRS 16 (2020 and 2019)

For any new contracts entered into on or after January 1, 2019, 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.

(ii) Accounting for Leases in Accordance with PAS 17 (2018)

Leases which do not transfer to the Group substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments (net of any incentive received from the lessor) are recognized as expense in profit or loss on a straight-line basis over the lease term. Associated costs, such as repairs and maintenance and insurance, are expensed as incurred.

The Group determines whether an arrangement is, or contains, a lease based on the substance of the arrangement. It makes an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

(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 follows.

(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) Profit-sharing and Bonus Plans

The Group recognizes a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Group's shareholders after certain adjustments. The Group recognizes a provision where it is contractually obliged to pay the benefits, or where there is a past practice that has created a constructive obligation.

(e) Compensated Absences

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of the reporting period. They are included in Trade and Other Payables account in the consolidated statement of financial position at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

2.19 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.

For income tax purposes, interest and other borrowing costs are charged to expense when incurred.

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 is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax 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 12-month period that breaches the materiality threshold of 10% of the Group's consolidated total assets based on the latest consolidated audited financial statements, the same board approval would be required for the transactions that meet and exceeds the materiality threshold covering the same related party.

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 (2020 and 2019)

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 and Advances to Related Parties

The Group uses a provision matrix to calculate ECL for trade 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, 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 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, PFRS 9 notes that 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 and advances to related parties are disclosed in Notes 6, 25.4, 28.2(b) and 28.2(c).

(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 (2020)

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) and 28.2(c).

(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 right-of-use assets, property and equipment and intangible assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical/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 at December 31, 2020 and 2019, 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 at December 31, 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) Distribution (previously categorized as Digital mobile) is involved in the sale of mobile phones and devices, and sale of prefabricated modular houses for 2020 as part of the Group's response to COVID-19 pandemic;

(b) Property and related services is involved in the leasing, development and sale of industrial and other real estate properties and hotel and restaurant operations;

(c) Technical support and solutions is presently engaged in the business of sale of professional audio and video equipment, after sales services, warehousing and distribution; and,

(d) Investment and others include investment holding companies, and those included in the business of financing and credit extension.

Segment accounting policies are the same as the policies described in Note 2.4.

4.2 Segment Assets and Liabilities

Segment assets 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 following tables present certain asset and liability information regarding business segments as at March 31, 2021 and December 31, 2020 and the related revenue and profit information for each of the period ended March 31, 2021 and March 31, 2020 (amounts in thousands):

	Distribution	Property & Related Services	Technical Support & Solutions	Investment & Others	Elimination	Total
2021						
SEGMENT RESULTS						
Total revenues	P 69,908	P 73,393	P 221,432	P 27,922	(P 30,649)	P 362,006
Net profit (loss)	(3,910)	(P 12,726)	P 26,286	(P 2,573)	P 9,247	P 16,324
SEGMENT ASSETS AND LIABILITIES						
Total assets	P 635,125	P 7,239,546	P 1,038,317	P 8,715,336	(P 5,242,769)	P 12,385,555
Total liabilities	P 677,268	P 2,263,541	P 263,039	P 389,798	(P 2,084,765)	P 1,508,881

	Digital Mobile	Property & Related Services	Technical Support & Solutions	Investment & Others	Elimination	Total
2020						
SEGMENT RESULTS						
Total revenues	P 30,460	P 100,982	P 151,699	P 38,784	(P 30,526)	P 291,399
Net profit (loss)	(15,542)	P 2,170	P 2,517	P 8,734	P 2,186	P 65
SEGMENT ASSETS AND LIABILITIES						
Total assets	P 737,153	P 7,266,848	P 1,012,496	P 8,709,240	(P 5,421,992)	P 12,303,745
Total liabilities	P 729,030	P 2,332,478	P 263,697	P 417,184	(P 2,294,555)	P 1,447,434

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 in 2020 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**	**Total**
December 31, 2020				
Distribution	P 144,416	P 61,146	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	-	93,167
	P 276,667	**P 572,131**	**P 242,738**	**P 1,091,536**

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.

The Group's revenues also include interest income from short-term placements and loans receivable amounting to P8 million and P30 million in 2021 and 2020, respectively, and is presented as Interest under Revenues in the consolidated statements of income (see Notes 5 and 6.3).

5. CASH AND CASH EQUIVALENTS AND SHORT-TERM PLACEMENTS

5.1 Cash and Cash Equivalents

Cash and cash equivalents include the following components as at December 31:

	2021	2020
Cash on hand and in banks	**P 370,948,369**	P 381,955,327
Cash equivalents	**650,619,345**	536,379,832
	P 1,021,567,714	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 2020.

Interest income earned from cash in banks and cash equivalents are presented as part of Finance Income under Other Income (Charges) account in the consolidated statements of income (see Note 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 P3,316.7 million and P3,326.5 million as of March 31, 2021 and December 31, 2020, respectively, with maturity periods varying between 91 to 294 days in 2021 and 2020, and earn effective interest ranging from 0.525% to 0.75% in 2021 and 0.52% to 4.25% in 2020.

Interest income earned from short-term placements is presented as part of Interest under Revenues account in the consolidated statements of income (see Note 4.6). 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 271,435,887**	P 265,387,193
Advances to:			
Suppliers	6.2, 25.1	**91,844,861**	80,375,049
Officers and employees	6.2, 25.10	**3,372,664**	2,843,312
Loans receivables	6.3, 25.3	**41,031,457**	23,152,970
Interest receivable	5	**4,056,088**	8,270,753
Rental receivables	6.5, 25.2	**39,653,518**	6,063,870
Non-trade receivables			5,155,456
Other receivables	6.6	**16,948,254**	38,036,891
			429,285,494
Allowance for impairment	6.7	**(114,494,386)**	(114,129,144)
		353,848,343	315,156,350
Non-current:			
Trade receivables		**8,163,915**	8,163,915
Loans receivables	6.3, 25.3	**15,775,309**	15,775,309
Cash surrender value of investment in life insurance	6.4, 14	**733,463,589**	726,956,155
		757,402,813	750,895,379
Allowance for impairment	6.7	**-**	-
		757,402,813	750,895,379
		P 1,111,251,156	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 2021 and 2020, 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 income earned from real estate sales amounted to P269.5 and P337 thousand in 2020, and is presented as part of Finance Income under Other Income (Charges) account in the consolidated statements of income (see Note 20.2). Trade receivables from sale of goods 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 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.

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, SMFI granted its borrowers the deferral of payments of principal and interest due for two to four months. The management assessed that the impact of deferral has no material impact on the Group's consolidated financial statements.

Interest income recognized on the Group's loans receivables amounted to P1.6 million and P1.4 million in 2021 and 2020, respectively, and are presented as part of Interest under the Revenues account of the consolidated statements of income (see Note 4.6). The effective interest rates on loans receivables range from 4.0% to 36.0% in 2021 and 2020..

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 in the consolidated statements of income (see Note 20.2). In 2020, the increase in cash surrender value amounted to P28.2 million.

The cash surrender value of the investment in life insurance is used as collateral for interest-bearing loans obtained by BRL (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. PFRS 16 rent receivables amounted to P6.1 million as of December 31, 2020.

6.6 Other Receivables

Other receivables include amounts due from credit card companies for the sale of CCTV. This also includes deposits to supplier, 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 rent 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 2020 is shown below.

	2021	2020
Balance at beginning of year	**P 114,129,144**	P 103,786,556
Impairment losses during the year	**-**	14,833,359
Reversal of impairment losses	**(-)**	(1,839,506)
Write-off of receivable	**(-)**	(2,651,265)
Balance at end of year	**P 114,129,144**	P 114,129,144

The impairment losses and reversal of impairment losses is presented 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. 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, 2020.

On the other hand, the fair values of the Group's investments in club shares amounting to P24.1 million, which represent proprietary membership club shares, as of December 31, 2020, have been determined based on quoted prices in less active markets due to lack of trading activities among its participants (see Note 30.2).

In 2018, the Group derecognized certain equity securities with original cost of P362,000 and fair value of P267,880 as of December 31, 2018. Accumulated fair value loss amounting to P94,120 is presented as an addition to Revaluation Reserves in the 2018 consolidated statement of changes in equity (see Note 23.3). There was no similar transaction in 2020..

The recognized fair value 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.

8. MERCHANDISE INVENTORIES AND SUPPLIES

Inventories at the end of March 2021 and December 2020 were stated at lower of cost or NRV. The details of inventories are shown below.

	Note	**2021**	2020
Merchandise inventories	17.1	**P 239,555,794**	P 217,962,817
Service parts, supplies and others		**37,961,337**	48,399,438
		277,517,131	266,362,255
Allowance for inventory obsolescence		**(68,006,585)**	(68,006,585)
		P 209,510,546	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.

For annual year 2020, the Group made a reversal of provision for the write-down of inventories amounting to P10.4 million, upon sale of those inventories. The reversal is included as an adjustment to Cost of Sales in the consolidated statements of comprehensive income .

The Group has no outstanding purchase commitment for the acquisition of merchandise inventories and supplies as at March 31, 2021 and December 31, 2020.

An analysis of the cost of inventories charged to operations in 2020 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	**400,248,973**	400,248,973
	P 437,128,195	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, 2020 and 2019, 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).

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, the related provision is nil as of December 31, 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 ZTC, which are also for sale. Property development costs at the end of each reporting period 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; while the construction of Tower 3 has not yet started, it has incurred expenses for the planning phase as of December 31, 2020 . 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 (see Note 1.3).

10. LEASES

The Group is a lessee under non-cancellable operating leases covering certain business spaces and satellite offices. The lease for these offices 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 P19.2 million as of December 31, 2020 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 March 31, 2021 and December 31, 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		-
Amortization	**(1,022,395)**	(5,212,925)
Balance at end of year	**P 8,526,902**	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 March 31, 2021 and December 31, 2020 as follows:

	2021	2020
Current	**P 3,632,757**	P 4,150,895
Non-current	**6,370,471**	6,370,471
	P 10,003,228	P 10,521,366

The movements in the lease liabilities recognized in the consolidated statements of financial position as of March 31, 2021 and December 31, 2020 are as follows:

	2021	2020
Balance at beginning of year	**P 10,521,366**	P 15,363,477
Additional lease liabilities		-
Interest accretion		823,728
Repayments of lease liabilities	**(518,138)**	(5,665,839)
	P 10,003,228	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
Office space	8	1 year and 4 months to 3 years and 11 months	2 years and 6 months	6	-

As of December 31, 2020, the Group has no commitments for leases entered into which had not commenced.

The undiscounted maturity analysis of lease liabilities at December 31, 2020 is as follows:

	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Total
December 31, 2020						
Lease payments	P 4,727,271	P 3,795,991	P 2,255,438	P 767,960	P -	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 -**	**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 period ended March 31, 2021 and 2020 is allocated in the consolidated statements of income as follows:

	Notes	2021	2020
Cost of services	17.2	P 2,520,984	P1,270,128
Cost of rental	17.3	**689,982**	36,000
General and administrative expenses		**351,038**	931,089
	18	**P 3,562,004**	P 2,237,217

10.4 Additional Profit or Loss and Cash Flow Information

The total cash outflow in respect of leases, including interest payment, amounted to P5.7 million for annual year 2020. Interest expense in relation to lease liabilities amounted to P0.8 million for annual year 2020, and is presented as part of Finance costs under Other Income (Charges) account 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 March 31, 2021 and December 31, 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, 2021											
Cost	P 1,277,854,682	P 369,849,173	P 210,461,950	P 235,104,568	P 226,573,123	P 15,798,523	P 85,923,849	P 111,127,722	P 92,506,004	P 32,665,980	P 2,657,865,574
Accumulated depreciation and amortization	-	(150,951,973)	(161,371,107)	(218,556,151)	(145,093,263)	(9,767,869)	(75,819,581)	(101,013,674)	(75,216,879)	-	(937,790,496)
Accumulated impairment losses	-	(35,000,000)	-	-	-	-	-	-	-	(14,346,250)	(49,346, 250)
Net carrying amount	**P 1,277,854,682**	**P 183,897,200**	**P 49,090,843**	**P 16,548,417**	**P 81,479,860**	**P 6,030,654**	**P 10,104,268**	**P 10,114,048**	**P 17,289,125**	**P 18,319,730**	**P 1,670,728,827**
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**

Construction in progress pertains to accumulated costs incurred on building improvements being constructed in various properties of the Group. In 2020 and 2019, no borrowing costs were capitalized.

In 2020, the Group sold certain property and equipment with carrying amounts of P2.1 million. Aside from these assets, the Group also disposed of certain fully-depreciated property and equipment with original cost of P3.5 million in 2020. The Group recognized gain on disposal of these property and equipment totaling P1.6 million in 2020, which are presented as part of Other Gains – net account in the consolidated statements of income (see Note 20.3).

The cost of fully depreciated property and equipment still used in operations amounted to P460.5 million as of December 31, 2020.

The amount of depreciation and amortization computed on property and equipment is presented as part of the following accounts:

	Notes	**2021**	2020
Cost of services	17.2	**P 13,550,149**	P 12,162,169
Cost of rentals	17.3	**3,862,865**	4,313,107
General and administrative expenses		**3,161,456**	3,748,67
Selling and distribution costs		**596,243**	668,275
	18	**P 21,170,713**	P 20,892,228

As of March 31, 2021 and December 31, 2020, none of the Group's property and equipment were held as collateral for loans. Further, no impairment losses were recognized in 2020 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, 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 P63 million, P61.9 million in 2021 and 2020, respectively, and are presented as Rentals under Revenues account 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 at December 31, 2020 were determined based on appraisal report dated October 30, 2020. 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 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 3,158,909,711**	**P 796,712,400**	**P 79,397,441**	**P 4,035,019,552**
Additions		**505,051**	**3,939,951**	**4,445,002**
Fair value gains (losses) on investment property – net (see Note 19)		-	-	-
Reclassification	-	**441,964**	**(441,964)**	-
Balance at end of year	**P 3,158,909,711**	**P 797,659,415**	**P 82,895,428**	**P 4,039,464,554**
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 2020, the Group incurred expenses amounting to P9.5 million, 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. There were no borrowing costs that were capitalized in 2020. As of March 31, 2021 and December 31, 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:			
Deferred costs	13.4	**P 70,320,802**	P 114,888,306
Creditable withholding taxes		**115,610,810**	111,424,923
Input VAT – net		**48,874,829**	59,372,844
Prepayments	13.4	**9,229,559**	25,770,054
Deferred input VAT – net		**17,599,599**	19,819,019
Refundable deposits	10	**11,347,659**	16,144,935
Others	13.4	**11,369,004**	4,039,123
		284,352,262	351,459,204
Non-current:			
Intangible assets	13.1	**12,964,946**	13,086,188
Deposits to suppliers	13.4	**3,347,774**	3,347,774
Refundable deposits	10	**2,246,453**	3,063,328
Cash bond	13.2	**680,834**	680,834
Others	13.4	**6,794,504**	6,293,668
		26,034,511	26,471,792
		P 310,386,773	P 377,930,996

13.1 Intangible Assets

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	**(20,441,641)**	(20,441,641)
Net carrying amount	**P 13,086,188**	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 account in the 2020 consolidated statement of income (see Note 18).

In 2019, the Group reclassified certain Deposits to suppliers to System software amounting to P2.3 million. There was no similar transaction in 2020.

Amortization charges amounting to P0.1 million in 2020, are presented as part of Depreciation and amortization under General and Administrative Expenses account 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, 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 Others

Deferred costs by the Group represent cost of inventories which have not been charged to cost of sales pending the completion of its projects. 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.

Others 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.

14. INTEREST-BEARING LOANS

The Group's short-term interest-bearing loans amounting to P68.0 million ($1.3 million) as of December 31, 2019 (nil as of December 31, 2020), pertains to loan of BRL which are denominated in USD and fully settled on 2020. Hence, there were no outstanding bank loans and interest as of December 31, 2020.

The movements on this account are as follows:

	2020	
	USD	PHP
Balance at beginning of year	$ 1,339,202	P 67,956,468
Repayment of loans	(1,339,202)	(64,329,907)
Roll-over of interest on loans		-
Translation adjustment	-	(3,626,561)
Balance at end of year	$ -	P -

The loans of BRL are secured by a portion of the cash surrender value of investment in life insurance as of December 31, 2020 (see Note 6.4). The 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.

Interest expense arising from these loans is shown as part of Finance costs under Other Income (Charges) account in the consolidated statements of income (see Note 20.1). The Group has no significant loan covenants as of December 31, 2020.

15. TRADE AND OTHER PAYABLES

This account consists of:

	Notes	**2021**	2020
Trade payables	25.1	**P 287,943,919**	P 234,351,992
Accrued expenses	14	**40,762,094**	38,614,841
Refundable deposits	25.2	**35,546,171**	33,946,295
Unearned rental		**20,002,170**	20,896,173
Non-trade payables		**25,221,975**	17,349,457
Deferred output VAT		**14,068,596**	14,940,738
Advances from customers		**6,185,965**	5,853,920
Rentals payable		**4,278,523**	4,278,523
Accrued dealers' incentives		**3,742,498**	4,266,497
Output VAT		**6,977,733**	4,178,219
Withholding taxes payable		**2,900,031**	3,717,138
Reserve for warranty costs		**883,141**	1,152,611
Retention payable		**263,620**	307,043
Other payables	9.1	**7,504,960**	13,342,093
		P 456,281,396	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 4.58% to 6.25% at the inception of the lease term. No gain or loss on discounting was recognized in 2020. On the other hand, interest expense recognized from the amortization of refundable deposits amounting to P0.7 million in 2020 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. 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. There was no write-off of trade and other payables 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 P29 million and P28.9 million as at March 31, 2021 and December 31, 2020, respectively. The refundable deposits are remeasured at amortized cost using the effective interest ranging from 3.48% to 6.25% at the inception of the lease terms. No gain or loss on discounting was recognized in 2020.

In 2019, Kita returned to its lessees certain security deposits amounting to P5.2 million. There was no similar transaction occurred in 2020.

The refundable deposits with maturity of more than one year are shown as a separate line item under Non-current Liabilities account in 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
Merchandise inventories at beginning of year	8	**P 217,962,817**	P 180,270,311
Net purchases of merchandise inventories during the year	18, 25.1	**141,000,592**	27,784,742
Goods available for sale		**358,963,409**	208,055,053
Merchandise inventories at end of year	8	**(239,555,794)**	(160,844,877)
Net reversal of allowance for inventory obsolescence	8	**(-)**	(-)
	18	**P 119,407,615**	P 47,210,176

17.2 Cost of Services

The following are the breakdown of direct costs and expenses from rendering of services:

	Notes	2021	2020
Service fees	26.3	**P 17,928,417**	P 15,048,879
Materials, supplies and other consumables		**20,068,251**	22,221,541
Subcontracting services		**18,066,380**	16,654,573
Depreciation and amortization	10.1, 11	**14,572,544**	13,722,621
Salaries and employee benefits	21.1	**12,713,488**	16,544,942
Outside services		**5,368,024**	9,234,039
Transportation and travel		**4,966,631**	4,502,482
Communication, light and water		**3,801,970**	4,718,926
Repairs and maintenance		**1,387,570**	2,435,409
Rentals	10.3, 27.2	**2,520,984**	1,270,128
Food and beverage		**1,754,572**	2,552,135
Insurance		**708,763**	766,367
Taxes and Licenses		**282,291**	282,291
Integration			41,899
Others		**2,544,351**	1,624,706
	18	**P 106,684,236**	P 111,620,938

17.3 Cost of Rentals

The details of this account are as follows:

	Notes	2021	2020
Taxes and licenses	12	**P 23,524,011**	P 23,742,582
Depreciation and amortization	11	**3,862,865**	4,313,107
Outside services		**2,101,493**	2,243,646
Rentals	10.3,	**689,982**	36,000
Repairs and maintenance	12	**768,627**	856,802
Salaries and employee benefits	21.1	**217,965**	227,973
Communication usage service area		**1,799,747**	1,916,085
Others	12	**2,262,567**	2,186,646
	18	**P 35,227,257**	P 35,522,841

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 (see Note 18). No sale of real estate inventories occurred in 2021 and 2020.

18. OPERATING EXPENSES BY NATURE

The details of operating expenses by nature are shown below.

	Notes	2021	2020
Net purchases of merchandise inventories	17.1, 25.1	**P 141,000,592**	P 27,784,742
Salaries and employee benefits	21.1, 21.2, 25.6	**52,232,777**	63,850,244
Service fees	26.3	**17,928,417**	15,048,879
Depreciation and amortization	10.1, 11, 13.1	**22,193,107**	22,452,679
Materials, supplies and other consumables		**24,704,691**	25,791,169
Outside services		**13,443,494**	19,232,628
Subcontracting services		**18,974,506**	18,458,865
Taxes and licenses		**41,680,827**	39,170,105
Utilities and communication		**14,766,278**	16,823,907
Transportation and travel		**3,188,643**	3,925,841
Repairs and maintenance		**4,979,575**	6,986,055
Rentals	10.3, 27.2	**3,562,004**	2,237,213
Impairment losses on trade and other receivables – net	6.7		
Food and beverage		**1,754,572**	2,552,135
Impairment losses on advances to related parties	25.4		
Advertising and promotions		**613,542**	1,448,101
Representation and entertainment		**1,204,815**	2,394,108
Installation cost		**-**	92,177
Excess of actual over standard input VAT		**63,429**	286
Insurance		**2,759,368**	3,661,870
Integration			41,899
Warranty claims		**27,406**	1,491,565
Changes in merchandise, finished goods and work-in-process inventories	17.1	**(21,592,977)**	19,425,434
Others		**9,602,629**	8,488,174
		P 353,087,695	P 301,358,076

These expenses are classified in the consolidated statements of income as follows:

	Notes	2021	2020
Cost of sales	17.1	**P 119,407,615**	P 47,210,176
Cost of services	17.2	**106,684,236**	111,620,939
Cost of rentals	17.3	**35,227,257**	35,522,841
Cost of real estate sales	17.4	**-**	-
General and administrative expenses		**80,624,675**	88,911,702
Selling and distribution costs		**11,143,912**	18,092,418
		P 353,087,695	P 301,358,076

19. OTHER OPERATING INCOME (EXPENSE)

The breakdown of this account is as follows:

	Notes	2021	2020
Income from utilities charged to tenants		**(P 5,425,805)**	(P 8,042,821)
Common usage service area	25.2	**(3,127,909)**	(2,556,964)
Revenue share from embedded third party application		-	(1,403,487)
Others		**(1,750,084)**	(1,488,979)
		(P 10,303,798)	(P 13,492,251)

20. OTHER INCOME (CHARGES)

Other Income (Charges) 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
Foreign currency exchange losses		**P 522,771**	P 47,195
Interest expense on interest-bearing loans	14	-	636,229
Interest expense on lease liabilities	10.4	**120,180**	214,899
Others		**99,722**	60,196
		P 742,673	P 958,519

20.2 Finance Income

This account consists of the following:

	Notes	2021	2020
Interest income from cash and cash equivalents	5.1	**P 1,637,401**	P 5,038,313
Interest income from real estate sale	6.1	**269,476**	337,022
Foreign currency exchange gains		**3,733,273**	1,457,664
Others			654,430
		P 5,640,150	P 7,487,429

20.3 Other Gains – net

The breakdown of this account is as follows:

	Notes	2021	2020
Gain on sale of property and equipment	11	**P 132,143**	P 6,349
Gain (Loss) on sale of scrap	9.1	**603**	-
Others		**654,462**	524,894
		P 787,208	P 531,243

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
Short-term benefits		**P 52,232,777**	P 63,850,244
Post-employment benefits	21.2	**-**	-
	18	**P 52,232,777**	P 63,850,244

These expenses are classified in the consolidated statements of income as follows:

	Notes	2021	2020
General and administrative expenses		**P 32,863,019**	P 37,469,304
Cost of services	17.2	**12,713,488**	16,544,942
Selling and distribution costs		**6,438,305**	9,608,025
Cost of rentals	17.3	**217,965**	227,973
	18	**P 52,232,777**	P 63,850,244

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 2020..

The amounts of retirement benefit asset recognized in the consolidated statements of financial position as of March 31, 2021 and December 31, 2020 are determined as follows:

	2020
Fair value of plan assets	P 214,321,329
Present value of obligation	(73,939,796)
	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 P27.6 million as of December 31, 2020.

The movements in the fair value of plan assets of the Group as are presented below.

	2020
Balance at beginning of year	P203,053,778
Interest income	10,350,318
Return on plan assets (excluding amounts included in net interest)	3,964,497
Contributions	4,017,015
Benefits paid	(7,064,279)
Balance at end of year	P214,321,329

The movements in the present value of the retirement benefit obligation recognized in the books are as follows:

	2020
Balance at beginning of year	P 115,005,810
Current service costs	16,625,682
Interest costs	5,826,853
Past service costs	(3,906,039)
Benefits paid	(7,064,279)
Benefits paid from book reserve	(1,303,750)
Remeasurements –	
Actuarial losses (gains) arising from:	
Experience adjustments	(11,929,903)
Changes in financial assumptions	(9,322,204)
Changes in demographic assumptions	(396,676)
Balance at end of year	P 103,535,494

The significant actuarial gains or losses in 2020 arising from the financial assumptions pertains to the effects of differences between the discount rates and salary projection rates used while the 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, 2020 (see Note 25.7):

		2020
Debt securities:		
Philippines government bonds	P	212,616,788
UITF		1,908,969
Mutual funds		-
Others		(204,428)
	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 P14.3 million in 2020.

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		2020
Reported in consolidated statements of income:			
Current service cost	21.1	P	16,625,682
Past service cost	21.1	(	3,906,039)
Net interest income	20.3	(	4,523,465)
		P	8,196,178
Reported in consolidated statements of comprehensive income (loss):			
Actuarial gains (losses) from:			
Changes in experience adjustments		P	11,929,903
Changes in financial assumptions			9,322,204
Changes in demographic assumption			396,676
Return on plan assets (excluding amounts included in net interest)			3,964,497
	23.3	P	25,613,280

Current service cost and past service cost are presented as part of Salaries and employee benefit account under the General and Administrative Expenses account in the consolidated statements of income (see Note 18).

The net interest income is included in Other Gains – net account in the consolidated statements of income (see Note 20.3). Amounts recognized in other comprehensive income, net of tax, were classified within items that will not be reclassified subsequently to profit or loss in the consolidated statements of comprehensive income.

For determination of the post-employment benefit obligation, the following actuarial assumptions were used:

	2020
Discount rates	2.84% - 3.97%
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 11.5 to 26.0 years for males and 17.0 to 26.0 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, 2020:

	Impact on Post-employment Benefit Asset/Obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
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 that long-term investments are in line with the obligations under the retirement scheme. This strategy aims to match the plan assets to the retirement obligations by investing in long-term fixed interest securities (i.e., government or corporate bonds) with maturities that match the benefit payments as they fall due and in the appropriate currency. The Group actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the retirement obligations.

In view of this, investments are made in reasonably diversified portfolio, such that the failure of any single investment would not have a material impact on the overall level of assets. A large portion of the plan assets as at December 31, 2020 and 2019 is generally concentrated in government debt securities, although the Group also invests in UITF and mutual funds.

(iii) Funding Arrangements and Expected Contributions

The plan is currently overfunded by P138.4 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, 2020. 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:

		2020
Within one year	P	12,239,686
More than one year to 5 years		21,420,397
More than 5 years to 10 years		37,046,814
More than 10 years to 15 years		82,634,194
More than 15 years to 20 years		96,249,336
More than 20 years		931,037,450
		P1,180,627,877

The weighted average duration of the defined benefit obligation at the end of the reporting period is 19 years.

22. TAXES

22.1 Registration with 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. In 2020, 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

The components of tax expense reported in the consolidated statements of income and consolidated statements of comprehensive income are as follows:

	2021	2020
Reported in consolidated statements of income:		
Current tax expense:		
RCIT at 30%	**P 6,529,384**	P 5,895,445
Final tax at 20% and 15%	**1,620,124**	6,754,306
MCIT at 2%	**296,189**	703,036
	8,445,697	13,352,787
Deferred tax expense relating to origination and reversal of temporary differences	**137,084**	(2,824,525)
	P 8,582,781	P 10,528,262

The net deferred tax assets of certain subsidiaries as of December 31 relate to the following:

	2020
Deferred tax assets:	
Allowance for impairment on trade and other receivables	P 26,721,171
Allowance for inventory obsolescence	20,153,254
Retirement benefit obligation	5,334,139
Unrealized foreign currency loss	5,210,264
NOLCO	4,931,391
Fair value loss on investment property	4,441,947
PFRS 16 adoption	4,431,625
Accrued expenses	1,169,453
MCIT	612,422
Provision for warranty claims	357,980
Deferred rental income	-
	73,363,646
Deferred tax liabilities:	
Equity investments in FVOCI	(1,500,000)
Accumulated depreciation on investment property	(1,025,594)
	(2,525,594)
Deferred tax assets – net	P 70,838,052

The net deferred tax liabilities of the Parent Company and other subsidiaries as of December 31 relate to the following:

	2020
Deferred tax assets:	
Allowance for impairment on trade and other receivables	P 10,492,807
Accumulated amortization on right-of-use asset	7,980,275
Unearned rent income	5,813,209
Impairment losses on property and equipment	4,303,875

NOLCO	2,622,618
Allowance for inventory obsolescence	1,162,023
Loss on investment in subsidiaries	838,709
Deferred rent income	453,146
Unamortized past service costs	293,829
MCIT	266,516
Unrealized foreign currency loss	165
Deferred tax assets - net	P 34,227,172
Deferred tax liabilities:	
Fair value gains on investment property – net	(905,398,891)
Retirement benefit asset	(38,408,855)
Accumulated depreciation on investment property	(16,711,045)
Excess of FV over cost of property	(14,653,835)
Amortization of lease liabilities	(7,408,169)
Accrued rent income	(5,793,811)
Unrealized foreign currency gains	(5,155,064)
Changes in fair value of financial assets at FVOCI	(1,710,000)
	(995,239,670)
Deferred tax liabilities – net	(P 961,012,498)

The deferred tax expense in 2020 amounting to P7.1 million in the consolidated statements of comprehensive income pertains to the tax effect of the changes in 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
2020	P 166,054,076	P -	P -	P 166,054,076	2025
2019	287,916,072	(1,164,001)	-	286,752,071	2022
2018	226,621,411	(5,597,571)	-	221,023,840	2021
2017	22,095,114	(1,197,516)	(20,897,598)		
	P 702,686,673	**(P 7,959,088)**	**(P 20,897,598)**	**P 673,829,987**	

NOLCO incurred in 2020 amounting to P166.1 million can be claimed as a deduction from the gross income until 2025 in accordance with RA No. 11494, *Bayanihan to Recover as One Act*. NOLCO incurred in 2019 and 2018 can be claimed as a deduction from the gross income until 2022 and 2021, respectively.

The Group is subject to MCIT which is computed at 2% 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	Remaining Balance	Valid Until
2020	P 1,360,982*	P -	P 1,360,982	2023
2019	1,524,840	-	1,524,840	2022
2018	4,147,314	(182,339)	3,964,975	2021
2017	78,115	(78,115)		

	P 7,111,251	(P 260,454)	P 6,850,797

** Determined based on CREATE Act (see Note 32)*

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.

	2020	
	Amount	Tax Effect
FVOCI (AFS financial assets in 2018)	P 829,222,559	P 248,766,768
NOLCO	668,708,399	200,612,518
Unrealized foreign currency gains – net	22,218,627	6,665,588
Allowance for impairment of trade receivables	16,160,480	4,848,144
MCIT	6,428,916	6,428,916
Retirement benefit obligation	3,671,863	1,101,559
Unamortized past service cost	2,421,539	726,462
Reserve for commission	1,067,607	320,282
Allowance for inventory obsolescence	1,039,657	311,897
Allowance for impairment of land and land development cost	644,800	193,440
Allowance for impairment of intangible assets	272,127	81,638
	P 1,551,856,574	P 470,057,212

In 2020, 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, 2020, the Parent Company has issued shares of 2,030,975,000 (with P1 par value), of which, 386,912,704 shares are held by the public in 2020. There are 4,230 holders of the listed shares which closed at P1.11 per share on December 31, 2020.

23.2 Retained Earnings

There was no dividend declaration in 2020. Retained earnings is restricted in the amount of P115.6 million as of December 31, 2020 and 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	2021	2020
Balance at beginning of year		**10,921,262**	18,545,180
Currency exchange differences on translating financial statements of foreign operations		**4,038,592**	2,646,792
Balance at end of year		**P 14,959,854**	P 21,191,972

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 2020	LIIP 2020
Current assets	P 815,488,350	P 130,520
Non-current assets	1,286,244	-
Total assets	P 816,774,594	P 130,520
Current liabilities	P 69,671,352	P 8,029,528
Non-current liabilities	340,102	-
Total liabilities	P 70,011,454	P 8,029,528
Equity (capital deficiency) attributable to owners of the parent	P 373,381,570	(P 3,949,504)
NCI	P 373,381,570	(P 3,949,504)
Revenue	P 20,253,711	P -
Profit (loss) for the year attributable to owners of the parent	P 3,184,589	(P 271,271)
Profit (loss) for the year attributable to NCI	3,184,589	(271,271)
Profit (loss) for the year	6,369,178	(542,542)
Other comprehensive loss for the year (all attributable to owners of the parent)	619,454	
Total comprehensive income (loss) for the year attributable to owners of the parent	3,804,043	(271,271)
Total comprehensive income (loss) for the year attributable to NCI	3,184,589	(271,271)
Total comprehensive income (loss) for the year	P 6,988,632	(P 542,542)
Net cash used in operating activities	(P 5,263,988)	(P 123,281))
Net cash from (used in) investing activities	(678,495,423)	51,520
Net cash from financing activities	-	-

	(683,759,411)	(71,761)
Effect of exchange rate on cash and cash equivalent	(4,688,184)	-
78		
Net cash inflow (outflow)	P 688,447,595	(P 71,761)

The corporate information of Starworld and LIIP, as well as the Parent Company's stockholding thereto, is provided in Note 1.

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.

There were no dividends paid to the NCI for the years ended December 31, 2020.

24. EARNINGS PER SHARE

Basic and diluted earnings for profit attributable to the Parent Company's stockholders are computed as follows:

	2021	2020
Net profit for the year attributable to the Parent Company's stockholders	**P 16,054,789**	(P 2,786,478)
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 0.009**	(P 0.002)

There were no outstanding convertible preferred shares and bonds or other stock equivalents as of March 31, 2021 and December 31, 2020, 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 2020 with its related parties and the outstanding balances as of December 31, 2020 are presented below.

Related Party Category	Notes	Amounts of Transaction 2020	Outstanding Receivable (Payable) 2020
Related Parties Under Common Ownership:			
Purchase of mobile phones	25.1	P 155,375,026	(P 56,803,352)
Advances to suppliers	25.1	195,702,637	70,695,418
Commissions	25.5	60,020,094	129,631,358
Cash advances granted (paid)	25.4	12,524,583	21,572,451
Lease of real property	25.2	5,603,819	161,676
Rendering of services	25.2, 25.9	3,350,449	659,536
Sale of goods	25.8	3,331,175	1,129,704
Purchase of spare parts	25.1	2,406,636	(872,575)
Granting (collection) of business loans	25.3	(1,500,000)	9,500,000
Interest income	25.3	880,000	-
Purchase of supplies and services	25.1	610,210	(34,383)
Refundable deposits	25.2	193,250	(717,500)
Cash advances obtained	25.4	-	(1,881,570)
Others:			
Key management personnel compensation	25.6	46,204,296	-

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.

Similar to trade receivables, the Group's receivables with related parties were assessed for impairment using the Group's simplified approach of ECL model. These receivables have substantially the same risk characteristics as the trade receivables. As such, the expected loss rates for trade receivables are a reasonable approximation of the loss rates for receivables from related parties.

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, 2020.

25.1 Purchase of Goods, Supplies and Services

In 2020, 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 P157.8 million, and recorded as part of Net purchases under Cost of Sales in the consolidated statements of income (see Note 17.1). The outstanding payable from these purchases amounting to P57.7 million as of December 31, 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, 2020 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 2020, SEC and SVC purchased electronic devices from Avid Sales Corporation (Avid), a related party under common ownership. The related purchases were recorded as part of Net purchases under Cost of Sales account in the consolidated statement of income (see Note 17.1). The outstanding payable for these purchases as of December 31, 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 account 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) account 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 2020. The loan matured on January 18, 2020 and was renewed on the same date, repayable until January 18, 2025, its maturity date. Principal repayment related to this loan amounted to P1.5 million in 2020.

Total interest earned from these loans are shown as part of Interest under Revenues account in the consolidated statements of income. The outstanding balance of business loans granted as of March 31, 2021 and December 31, 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 2020.

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 as presented in the consolidated statements of cash flows is shown in the succeeding page.

	2021	2020
Balance at beginning of year	**P 21,572,451**	P 9,047,868
Deposit for future stock subscription – Fekon	**5,480,000**	18,185,600
Impairment losses for the year	**( )**	
Collection of advances	**-**	(5,661,017)
Balance at end of year	**P 27,052,451**	P 21,572,451

In 2020, the Parent Company made deposit in the shares of Fekon Solid Motorcycle Mfg. Corp. (Fekon), a related party under common ownership, in relation to the planned increase in authorized capital stock of the latter. Since Fekon is yet to apply for the planned increase in authorized capital stock to the Commission as of December 31, 2020, these are presented under advances to related parties.

On the other hand, 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 2020, the Group recognized impairment loss from the advances amounting to P5.7 million which is presented as Impairment losses on advances to related parties under General and Administrative Expenses account in 2020 consolidated statement of income (see Note 18).

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 under Revenues account in the consolidated statements of income. The outstanding balance arising from these transactions as of December 31, 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).

In 2020, My Solid 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 under Revenues account 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 are shown as part of Salaries and employee benefits under General and Administrative Expenses account in the consolidated statements of income (see Notes 18 and 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, 2020.

The retirement fund consists of government securities and UITF and mutual funds with fair values totaling P214.3 million as at December 31, 2020 (see Note 21.2). The retirement fund neither provides any guarantee or surety for any obligation of the Group. The retirement fund also has no investments in the Parent Company's shares of stock which are listed for trading at the PSE.

The details of the contributions of the Group and benefits paid out by the plan to employees are presented in Note 21.2.

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 account in the 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 leasing warehouse and distribution services to Avid. Revenues from the said transactions are presented as part of Rendering of Services under Revenues account in the consolidated statements of income.

The outstanding receivables arising from these transactions, which are generally unsecured, noninterest-bearing and settled through cash amounted to P0.7 million as of December 31, 2020 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 are presented as part of Rendering of Services in the consolidated statements of income. Outstanding balances arising from these transactions amounted to P5.5 million as of December 31, 2020 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 is presented as part of Rendering of Services under Revenues in the consolidated statements of income. The outstanding receivable amounted to P0.3 million as of December 31, 2020 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 account in 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, 2020 are presented below.

	2020
Within one year	P 119,201,322
After one year but not more than two years	43,020,893
After two year but not more than three years	27,586,949
After three year but not more than four years	23,927,007
After four year but not more than five years	22,201,743
More than five years	68,919,140
	P 304,857,054

The total rent income recognized from these transactions amounted to P242.7 million, including rent income resulting from the application of the straight-line basis of revenue recognition in accordance with PFRS 16 (previously PAS 17) in 2020, and are presented as Rentals under Revenues account in the consolidated statements of income.

27.2 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, 2020 (see Note 9.2).

27.3 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.

27.4 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, 2020.

27.5 Others

The Group has unused credit facilities amounting to P1.1 billion in 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, 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 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 U.S. dollars. The Group also holds U.S. dollar-denominated cash and cash equivalents.

To mitigate the Group's exposure to foreign currency risk, non-Philippine peso cash flows are monitored.

Foreign currency-denominated financial assets and financial liabilities, translated into Philippine pesos at the closing rate are as follows:

	2021	2020
Financial assets	**P 245,025,659**	P 225,532,985
Financial liabilities	**(111,355,456)**	(62,938,617)
Short-term exposure	**P 133,670,203**	P 162,594,368

The following table illustrates the sensitivity of the Group's profit before tax in 2021 and 2020, 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	
	Reasonably Possible Change in Rate	**Effect in Profit Before Tax**	Reasonably Possible Change in Rate	Effect in Profit Before Tax
PHP – USD	20.75%	**P27.730.142**	23.797%	P 38,681,200

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 P27.7 million and P38.7 million in 2021 and 2020, 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 and 2020 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

At March 31, 2021 and December 31, 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 +/- 1.11% in 2021 and +/-1.49% in 2020. 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 1.11% and 1.49%, profit before tax in 2021 and 2020, would have increased by P 253 million and P260.2 million, respectively. Conversely, if the interest rate decreased by the same percentages, profit before tax in 2021 and 2020 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 classified as financial assets at FVTPL and financial assets 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 1,021,567,714**	P 918,335,159
Short-term placements	5.2	**3,316,618,613**	3,326,476,937
Trade and other receivables – net*	6	**1,016,033,631**	982,833,368
Refundable deposits**	13	**13,590,388**	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 5,375,225,805	P 5,254,269,186

* *Except for Advances to supplier and Advances to officers and employees*
** *Presented as part of Other Assets*
*** *Except for Deposit for future stock subscription*

The Group's management considers that all the above financial assets that are not impaired or past due at the end of each reporting period are of good credit quality.

(a) Cash and Cash Equivalents and Short-term Placements

The credit risk for cash and cash equivalents in the consolidated statements of financial position, is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. Included in the cash and cash equivalents are cash in banks and short-term placements which are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P500,000 for every depositor per banking institution.

(b) Trade and Other Receivables

The Group applies the PFRS 9 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 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 at December 31, 2020 was determined based on months past due, for trade and other receivables (except advances to 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, 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**

Except for trade receivables arising from real estate sales, none of the financial assets are secured by collateral or credit enhancements. Trade receivables arising from real estate sales are secured by industrial lots and condominium units sold to buyers and are covered by postdated checks.

(c) Advances to Related Parties

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 2020, the Group recognized impairment losses on advances to related parties amounting to P5.7 million which is presented under General and Administrative Expenses account in 2020 consolidated statement of income (see Note 18). There were no impairment losses that are required to be recognized in 2021.

(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.

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 March 31, 2021 and December 31, 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 **397,758,801**	P -	P -
Advances from related parties	**1,881,570**	-	-
Refundable deposits			**29,099,010**
	P 399,640,371	**P -**	**P 29,099,010**
2020			
Trade and other payables	333,114,648	-	-
Advances from related parties	1,881,570	-	-
Refundable deposits			28,889,217
	P 334,996,218	P -	P 28,889,217

The above contractual maturities reflect the gross cash flows, which may differ with the carrying values of the financial liabilities at the end of reporting period.

29. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

29.1 Carrying Amounts and Fair Values by Category

The carrying amounts and fair values of the categories of financial assets and financial liabilities presented in the consolidated statements of financial position are shown below.

	Notes	2021 Carrying Amounts	2021 Fair Values	2020 Carrying Amounts	2020 Fair Values
Financial assets					
At amortized cost:					
Cash and cash equivalents	5	**P 1,021,567,714**	**P 1,021,567,714**	P 918,335,159	P 918,335,159
Short-term placements	5	**3,316,618,613**	**3,316,618,613**	3,326,476,937	3,326,476,937

Trade and other receivables – net	6	**1,016,033,631**	**1,016,033,631**	982,833,368	982,833,368
Refundable deposits	13	**13,590,388**	**13,590,388**	19,208,263	19,208,263
Advances to related parties	25.4	**3,386,851**	**3,386,851**	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
		5,375,225,805	**5,375,225,805**	5,254,269,186	5,254,269,186
Financial assets at FVOCI –	7	**24,100,000**	**24,100,000**	24,100,000	24,100,000
		P 5,399,325,805	**P 5,399,325,805**	P 5,278,369,186	P 5,278,369,186
Financial liabilities					
At amortized cost:					
Trade and other payables	15	**P 397,758,801**	**P 397,758,801**	P 333,114,648	P 333,114,648
Refundable deposits	16	**29,099,010**	**29,099,010**	28,889,217	28,889,217
Lease liabilities	10.2	**10,003,228**	**10,003,228**	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 438,742,609	**P 438,742,609**	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 March 31, 2021 and December 31, 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 under Receivables account in the consolidated statements of financial position can be offset by the amount of outstanding Advances from and Due to Related Parties account:

	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, 2021		**P** 27,052,451	**P -**	**P** 27,052,451
December 31, 2020		21,572,451	-	21,572,451
Advances from and due to related parties:	25.4			
March 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 March 31, 2021 and December 31, 2020 , the Group's financial assets at FVOCI measured at fair value amounted to P24.1 million both at the period stated, (see Note 7).

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, 2021 and December 31, 2020.

There were neither transfers between Levels 1 and 2 nor changes in the carrying amount of Level 3 instruments in both years.

30.3 Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed

The tables below and in the succeeding page summarize the fair value hierarchy of the Group's financial assets and financial liabilities which are not measured at fair value in the consolidated statements of financial position but for which fair value is disclosed.

	Notes		Level 1		Level 3		Total
2021							
Financial Assets							
At amortized cost:							
Cash and cash equivalents	5	P	**1,021,567,714**	P	-	P	**1,021,567,714**
Short-term placements	5		**3,316,618,613**		-		**3,316,618,613**
Trade and other receivables – net	6		-		**1,016,033,631**		**1,016,033,631**
Refundable deposits	13		-		**13,590,388**		**13,590,388**
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	**4,338,186,327**	**P**	**1,037,039,478**	**P**	**5,375,225,805**

	Notes		Level 1		Level 3		Total
2021							
Financial Liabilities							
At amortized cost:							
Trade and other payables	15	P	-	P	**397,758,801**	P	**397,758,801**
Refundable deposits	16		-		**29,099,010**		**29,099,010**
Lease liabilities	10.2		-		**10,003,228**		**10,003,228**
Advances from related parties	25.4		-		**1,881,570**		**1,881,570**
		P	**-**	**P**	**438,742,609**	**P**	**438,742,609**
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	1,009,457,090	P	5,254,269,186
Financial Liabilities							
At amortized cost:							
Interest-bearing loans – net	14	P	-	P	-	P	-
Trade and other payables	15		-		333,114,648		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 P3,170.9 million as of December 31, 2020, 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 P797.2 million as of December 31, 2020. On the other hand, the Level 3 fair value of the construction in progress under Investment Property account amounted to P67.0 million. 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 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 1,506,999,170**	P 1,445,551,945
Total equity	**10,876,674,575**	10,856,311,642
	0.14 : 1.00	0.13 : 1.00

As at March 31, 2021 and December 31, 2020, the Group is not subject to any externally-imposed capital requirements, except for SMFI as indicated below.

Under Section 6 of RA No. 8556, SMFI is required to maintain a minimum paid-up capital of not less than P10.0 million. SMFI is in compliance with the minimum paid-up capital requirement as at December 31, 2020.

32. EVENT AFTER THE END OF THE REPORTING PERIOD

On March 26, 2021, RA No. 11534, *Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act*, amending certain provisions of the National Internal Revenue Code of 1997, as amended, was signed into law with veto on certain provisions and shall be effective 15 days after its publication. The CREATE Act has several provisions with retroactive effect beginning July 1, 2020. The following are the major changes brought about by the CREATE Act that are relevant to the Group:

(a) RCIT rate is decreased 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%;
(b) MCIT rate is decreased from 2% to 1% starting July 1, 2020 until June 30, 2023;
(c) the imposition of 10% tax on improperly accumulated retained earnings is repealed; and,
(d) the allowable deduction for interest expense is reduced to 20% (from 33%) of the interest income subjected to final tax.

Given that the CREATE Act was signed after the end of the current reporting period, the Group determined that this event is a non-adjusting subsequent event. Accordingly, its impact was not reflected in the Group's financial statements as of and for the year ended December 31, 2020, and instead, will be taken up prospectively in the next applicable reporting period. The Group used the prevailing tax rates as of December 31, 2020 in determining its current and deferred taxes in its 2020 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 current income tax expense and income tax payable, as presented in the 2020 annual income tax return (ITR) of the Group, would be lower by P4.2 million and P2.6 million, respectively, than the amount presented in the 2020 financial statements. Conversely, the creditable withholding taxes presented in the 2020 annual ITR would be higher by P1.6 million than the amount presented in the 2020 financial statements.

In addition, the recognized net deferred tax assets and net deferred tax liabilities as of December 31, 2020 would be remeasured to 25% and 20% in the 2021 financial statements. This will result in a decline in the recognized deferred tax assets and deferred tax liabilities in 2020 amounting to P13.2 million and P160.2 million, respectively, and will be charged to 2021 profit or loss, unless it can be recognized in other comprehensive income as provided in applicable financial reporting standard. The unrecognized deferred tax assets as of December 31, 2020 will also result in a decline in 2020. However, such decline in the unrecognized net deferred tax assets will not have an impact in the 2021 profit or loss or in other comprehensive income.

SOLID GROUP INC. AND SUBSIDIARIES
SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
MARCH 31, 2021

RATIO	FORMULA	Unaudited as of March 31, 2021		Audited as of December 31, 2020	
Current ratio	Current Assets / Current Liabilities	5,650,078,123 / 484,803,063	**11.65**	5,568,483,966 / 423,565,631	**13.15**
Acid Test ratio	Quick Assets (Cash & Cash Equivalents + Short term Placements + Trade Receivables) / Current Liabilities	4,692,034,670 / 484,803,063	**9.68**	4,559,968,446 / 423,565,631	**10.77**
Solvency ratio	Total Liabilities / Total Assets	1,508,880,740 / 12,385,555,315	**0.12**	1,447,433,515 / 12,303,745,157	**0.12**
Debt to Equity ratio	Total Liabilities (excluding advances from related parties) / Total Equity	1,506,999,170 / 10,876,674,575	**0.14**	1,445,551,945 / 10,856,311,642	**0.13**
Gearing ratio	Financial Debt / Total Equity	- / 10,876,674,575	**-**	- / 10,856,311,642	**-**
Asset to Equity ratio	Total Assets / Total Equity	12,385,555,315 / 10,876,674,575	**1.14**	12,303,745,157 / 10,856,311,642	**1.13**
		Unaudited for the period ended March 31, 2021		**Unaudited for the period ended March 31, 2020**	
Interest Coverage ratio	EBIT / Interest Expense	25,027,302 / 120,180	**208.25**	11,444,974 / 851,128	**13.45**
Operating Margin	Operating Profit (Loss) / Total Revenues	19,222,437 / 362,006,334	**0.053**	3,533,693 / 291,399,518	**0.012**
Net Profit Margin	Net Profit (Loss) after Tax / Total Revenues	16,324,341 / 362,006,334	**0.045**	65,584 / 291,399,518	**0.0002**
Return on Total Assets	Net Profit (Loss) after Tax (annualized) / Average Total Assets	65,297,364 / 12,344,650,236	**0.005**	262,336 / 12,088,960,244	**0.00002**
Return on Equity	Net Profit (Loss) after Tax (annualized) / Total Equity	65,297,364 / 10,876,674,575	**0.006**	262,336 / 10,643,592,213	**0.00002**