

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: June 30, 2026
2. Commission Identification Number: 845
3. BIR Tax Identification No.: 000-508-536-000
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) 8843-1511
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 [☒] 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 six (6) months period ended June 30, 2026 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 2026 and 2025 are as follows:

	<u>2026</u>	<u>2025</u>
Revenue growth(decline)	3%	22%
Asset turnover	19%	19%
Operating expense ratio	23%	20%
EBITDA	P386 million	P468 million
EPS	P0.13	P0.18
Current ratio	6.41: 1	8.73 : 1
Debt to equity ratio	0.22: 1	0.21 : 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 slightly grew by 3% in the first half of 2026 mainly driven by higher revenues in distribution/retail, property & related services and logistics & technical solutions segments.

Asset turnover stood at 19% for the first halves of 2026 and 2025.

Operating expense ratio was higher at 23% for the first half of 2026 as compared to 20% for the first half of 2025 chiefly from higher operating expenses reported for the period.

EBITDA declined to P386 million in the first half of 2026 from P468 million in the same period in 2025. The decrease was primarily driven by lower net profit, following the absence of the one-time LEED Gold Certification-related income recognized in the prior year for the property & related services segment.

Earnings per share stood at P0.13 and P0.18 for the first halves of 2026 and 2025, respectively due to lower net profit for the period.

Current ratio was at 6.41:1 as of June 30, 2026, lower than 8.73:1 as of December 31, 2025. The decrease was primarily caused by an increase in current liabilities particularly trade and other payables, coupled with a decline in current assets, particularly cash and cash equivalents and trade and other receivables.

Debt-to-equity ratio stood at 0.22:1 as of June 30, 2026 and 0.21:1 as of December 31, 2025 from higher liabilities.

Results of Operations

Revenues went up to P1,515 million in the first half of 2026 from P1,476 million for the same period in 2025 p revenue growth driven by continued expansion across core businesses, particularly from distribution/retail, logistics & technical solutions and property & related services segments as explained below.

Sale of goods grew by 7%, reaching P715 million in the first half of 2026, compared to P665 million in the same period of 2025, chiefly because of higher sales in the distribution/retail segment.

Service revenue amounted to P429 million in the first half of 2026, lower by 7% compared with P461 million recorded in the same period last year. The decrease was principally caused by the timing of revenue recognition with ASEAN project revenues deferred to the succeeding quarter, as well as the absence of integration projects in the distribution/retail segment that contributed to revenue in the prior-year period.

Rental income improved by 8% to P329 million in the first half of 2026 from P305 million in the same period of 2025, primarily driven by increased rental income from contractual rental escalations and incremental lease income from the newly acquired PEZA investment properties of Solid Manila Corporation under the property & related services segment.

Interest income was lower by 6% to P41 million for the first half of 2026 from P43 million for the same period in 2025 as a result of lower interest rates on time deposit placements for the period.

Cost of sales, services, real estate sold and rentals increased by 0.31% to P927 million in the first half of 2026 from P925 million in the same period in 2025 as discussed below.

Cost of sales totaled P552 million for the first half of 2026, up 5% from P524 million in the corresponding period of 2025, primarily due to the increase in sales.

Cost of services decreased to P293 million for the first half of 2026, down by 11% from P328 million in the same period of 2025 in relation to the decrease in service revenue.

Cost of rentals rose by 15% to P82 million in the first half of 2026, up from P71 million in the same period of 2025 from higher equipment cost, taxes & licenses and depreciation of the property & related segments.

Gross profit went up to P587 million for the first half of 2026 from P550 million for the same period in 2025 predominantly because of higher gross profit from distribution/retail and logistics & technical solutions segments associated with increase in revenue.

Other operating expenses (income) amounted to P301 million income for the first half of 2026 from P182 million for the same period of 2025 as explained below.

General and administrative expenses increased by 10% to P238 million for the first half of 2026 from P216 million in the same period of the previous year principally as a result of higher manpower costs arising from increased activities in the distribution/retail segment, as well as higher utility expenses of the property & related services segment.

Selling and distribution costs rose by 23% to P103 million in the first half of 2026, up from P84 million in the same period of 2025 mainly from higher commissions, rental expenses, and bank charges related to credit card transactions, consistent with the higher sales generated by the distribution/retail segment.

Other operating income, net decreased by 66% to P40 million in the first half of 2026 from P118 million in the same period of 2025, primarily reflecting the one-time income recognized in 2025 from certification services charged to a lessee in connection with infrastructure enhancements undertaken to obtain LEED Gold certification for the leased premises, with no similar income recognized in 2026.

Operating profit decreased by 22% to P285 million for the first half of 2026 from P368 million in the same period of 2025 significantly because of higher other operating expenses (income) as explained above.

Other income (charges) amounted to P26 million income for the first half of 2026 against P27 million for the same period in 2025 principally from the following:

Finance costs declined by 14% to P12 million for the first half of 2026 from P28.8 million in 2025 chiefly reflecting lower interest expense on interest-bearing loans of the property & related services segment.

Finance income diminished by 18% to P40 million in the first half of 2026 from P48 million in the same period last year principally because of lower interest income from time deposits, following the decline in interest rates which ranged from 3% to 5% in 2026 compared with 5.25% to 5.8% in 2025.

Share in net profit of an associate amounted to P553 thousand in the first half of 2026, reflecting the Company's share in Starworld's net profit based on its 30% ownership interest, compared with nil in the same period of 2025.

Other gains, net amounted to P11 million in the first half of 2026, up 37% from P8 million in the same period of 2025. The increase was mainly driven by gain on sale of scrap, higher gain on disposal of property and equipment and additional proceeds from insurance claim.

Profit before tax reached P312 million for the first half of 2026, a shortfall of 21% from P396 million for the same period in 2025 primarily supported by lower operating profit as discussed above.

Tax expense surged by 37% to P79 million for the first half of 2026 against P57 million for the same period in 2025 from higher deferred tax expenses by the property & related services segment.

Net profit declined by 31% to P233 million in the first half of 2026 from P338 million in the same period of 2025, primarily as a result of the decline in operating profit during the period.

Net profit attributable to equity holders of the parent was P232 million in the first half of 2026, down from P332 million in the same period of 2025, in line with the factors discussed above.

Net profit attributable to non-controlling interests (NCI) amounted to P1.2 million and P5.5 million for the first halves of 2026 and 2025, respectively. This represents minority share in net profit for the period.

Financial Position

Cash and cash equivalents decreased by 20% to P2,048 million as of June 30, 2026 from P2,576 million as of December 31, 2025, principally as a result of cash used in investing activities for the acquisition of investment properties under PEZA by the property & related services segment.

Short-term placements grew by 25% to P781 million as of June 30, 2026 from P622 million as of December 31, 2025 from additional placements in time deposits.

Trade and other receivables decreased by 12% to P506 million as of June 30, 2026 from P573 million as of December 31, 2025, mainly reflecting collections of loan receivables under the investment and others segment and rental receivables under the property & related services segment. The Group's trade customers are generally well-established and financially stable companies, providing reasonable assurance regarding the collectibility of receivables. Management regularly reviews trade accounts for potential credit and collection risks and recognizes allowances for accounts considered doubtful of collection.

Advances to related parties was maintained at P2.4 million as of June 30, 2026 and December 31, 2025. There was no change for this account.

Merchandise inventories and supplies – net climbed by 30% to P295 million as of June 30, 2026, compared with P227 million as of December 31, 2025 from purchase of medical equipment, broadcasting equipment and spare parts of the distribution/retail segment.

Real estate inventories amounted to P424 million for both periods. There was no change for this account.

Other current assets increased to P599 million as of June 30, 2026, from P542 million as of December 31, 2025, or an increase of 11% principally from higher tax assets, particularly creditable withholding taxes and input VAT.

Total current assets reached P4,658 million as of June 30, 2026 from P4,970 million as of December 31, 2025 mainly from lower cash and cash equivalents as discussed above.

Non-current trade and other receivables rose to P506 million as of June 30, 2026, from P476 million as of December 31, 2025, an increase of 6%. The increase was primarily because of the appreciation of the U.S. dollar against the Philippine peso, which resulted in a higher peso-denominated cash surrender value of the life insurance policies.

Financial assets at fair value through other comprehensive income stood at P94 million as of June 30, 2026 and as of December 31, 2025. There was no change for this account.

Investment in associates amounted to P30.0 million as of June 30, 2026, slightly higher than the P29.6 million balance as of December 31, 2025. The increase was chiefly due to the Group's share in Starworld's net profit for the first half of 2026, based on the Group's 30% ownership interest. The Group's interest in Starworld was reduced from 50% to 30% in 2025 following the disposal by Solid Manila Corporation (SMC) of a portion of its investment. Accordingly, the remaining 30% interest is accounted for as an investment in an associate. Of the P30.0 million balance as of June 30, 2026, P28.0 million represents the deposit related to Fekon Solid Motorcycle Manufacturing Corp. The investment had previously been subject to significant impairment losses, with cumulative impairment losses of P60.0 million recognized in prior years following a reassessment of the associate's business outlook.

Investment in bonds was P20 million as of June 30, 2026 and as of December 31, 2025 representing a six-year placement made in 2021, bearing interest at 4.3368% per annum and maturing in October 2027. There was no change for this account

Property and equipment dropped to P1,583 million as of June 30, 2026 from P1,607 million as of December 31, 2025. There was no material change for this account.

Investment properties – net increased by P548 million, from P8,384 million as of December 31, 2025 to P8,932 million as of June 30, 2026. The increase was mainly attributable to the acquisition of two investment properties by the property & related services segment. In April and June 2026, SMC acquired two investment properties located in two ecozones in Laguna under leaseback arrangements. These properties are intended to support SMC's leasing business, primarily serving PEZA-registered export enterprises.

Rights-of-use (ROU) assets – net decreased to P1.6 million as of June 30, 2026 from P3.7 million as of December 31, 2025 primarily due to depreciation of ROU assets under PFRS 16, Leases.

Post-employment benefit assets - net was valued at P58 million as of June 30, 2026 and as of December 31, 2025. There was no change for this account.

Deferred tax assets - net amounted to P13 million as of June 30, 2026 and as of December 31, 2025. This account remained unchanged for the period.

Other non-current assets had a balance of P32 million as of June 30, 2026 and P31 million as of December 31, 2025. There were no significant movements in this account during the period.

Total non-current assets amounted to P11,271 million as of June 30, 2026 and P10,717 million as of December 31, 2025 as discussed above.

Total assets reached P15,930 million as of June 30, 2026 from P15,688 million as of December 31, 2025 as explained above.

Current portion of interest-bearing loans increased by 33% to P52 million as of June 30, 2026, compared to P39 million as of December 31, 2025. This increase resulted from the reclassification of a portion of the long-term loan in accordance with PAS 1, which requires that any portion of a loan maturing within the next 12 months be reclassified as a current liability.

Trade and other payables rose by 31% to P645 million as of June 30, 2026 against P494 million as of December 31, 2025 principally from higher non-trade payables.

Customers' deposits decreased by 37% to P15 million as of June 30, 2026 from P24 million as of December 31, 2025, following the recognition of customer deposits as actual sales under the distribution/retail segment.

Current lease liabilities dropped by 47% to P2 million as of June 30, 2026 from P3.8 million as of December 31, 2025 due to payments during the period.

Income tax payable increased by 69% to P10 million as of June 30, 2026 from P6 million as of December 31, 2025, largely from recognition of income tax expense for the period.

Total current liabilities climbed by 28% to P726 million as of June 30, 2026 from P569 million as of December 31, 2025 due to higher trade and other payables.

Interest-bearing loans declined slightly to P802 million as of June 30, 2026 from P835 million as of December 31, 2025, mainly due to partial repayment of loan principal and the reclassification to the current portion in accordance with PAS 1. The loans were used to partially finance the construction of the warehouse facility in Calamba, Laguna under the property & related services segment, which has since been completed.

Non-current refundable deposits climbed to P38 million as of June 30, 2026, 65% higher compared to P23 million as of December 31, 2025 from receipt of long-term refundable deposit made by sole tenant of newly acquired PEZA-registered properties for lease.

Non-current lease liabilities declined to nil as of June 30, 2026 from P60 thousand as of December 31, 2025 due to the reclassification of lease liabilities from non-current to current.

Post-employment benefit obligation stood at P32 million as of June 30, 2026 and as of December 31, 2025. This represents the unfunded retirement obligation of certain subsidiaries.

Deferred tax liabilities - net increased slightly to P1,233 million as of June 30, 2026 from P1,212 million as of December 31, 2025, with minimal change during the period.

Total non-current liabilities amounted to P2,107 million as of June 30, 2026 and P 2,104 million as of December 31, 2025. There was no material change for this account.

Total liabilities amounted to P2,833 million as of June 30, 2026 from P2,673 million as of December 31, 2025 as discussed above.

Capital stock stood at P2,030 million as of June 30, 2026 and December 31, 2025.

Additional paid-in capital was maintained at P4,641 million as of June 30, 2026 and as of December 31, 2025.

Treasury shares amounted to P115 million as of June 30, 2026 and as of December 31, 2025.

Revaluation reserves rose by 19% to P191 million as of June 30, 2026 from P161 million as of December 31, 2025 arising from gains from currency exchange differences on translating the financial statements of foreign operations.

Retained earnings increased to P6,297 million as of June 30, 2026 from P6,247 million as of December 31, 2025 as a result of net profit attributable to the stockholders of the parent company for the period.

Total equity attributable to equity holders of the Parent stood at P13,045 million as of June 30, 2026, compared with P12,965 million as of December 31, 2025, with no material change during the period.

Non-controlling interests amounted to P50 million as of June 30, 2026 and P49 million as of December 31, 2025. There was no material change for this account.

Total equity amounted to P13,096 million as of June 30, 2026 from P13,014 million as of December 31, 2025.

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 2026 to amount to approximately P770 million, of which P500 million has already been invested as of June 30, 2026 for the acquisition of PEZA properties. The remaining capital expenditures will be allocated for various real estate development projects, renovation and upgrading of existing facilities, and acquisition of transportation equipment, and are expected to be financed principally through the Company's internally generated funds and available cash resources.

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

None

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

Precos Inc., a wholly owned subsidiary of SGI, is engaged in real estate and related businesses. In 2022, it entered into a Built-to-Specification Agreement with a third-party lessee for the development of a warehouse on its Laguna property. The 10.5-hectare LEED-accredited distribution facility was completed in 2025 with a total investment of P3.0 billion. Commercial operations commenced on August 1, 2024 under a 15-year lease agreement with the lessee, an international logistics provider, with an option to renew for another five years. In 2025, the project generated P273 million in leasing revenue, up from P113 million in 2024, while net profit increased to P210 million from P67 million in the same period. For 2026, it is expected to generate P273 million in revenue and P153 million in net profit, further strengthening the Company's recurring income streams and supporting stable revenue growth.

In 2025, Starworld reduced its authorized capital stock from P530.0 million to P5.3 million, resulting in a P209.9 million decrease in the Group's share in capital, which was recognized in the 2025 consolidated statement of changes in equity. Subsequently, SMC disposed of its shares in Starworld, reducing the Group's ownership interest from 50% to 30% and resulting in loss of control. Accordingly, the retained 30% interest was accounted for as an investment in associate in 2025 and continues to be accounted for as such in 2026.

Based on appraisal reports obtained in 2025, the Company recognized fair value gains on investment property of P171 million as of year-end 2025.

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

On June 25, 2026, the Board of Directors approved the declaration of a cash dividend of P0.10 per share, payable to stockholders of record as of July 15, 2026, with payment scheduled for August 7, 2026.

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

August 12, 2026

Solid Group Inc. and Subsidiaries

Unaudited Consolidated Financial Statements as of June 30, 2026 and for
the Six Months Period Ended June 30, 2026 and June 30, 2025
(with Comparative Audited Consolidated Statements of Financial Position
as of December 31, 2025)

SOLID GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2026 AND DECEMBER 31, 2025
(Amounts in Philippine Pesos)

	<u>Notes</u>	<u>June 30, 2026</u>	<u>December 31, 2025</u>
<u>ASSETS</u>			
CURRENT ASSETS			
Cash and cash equivalents	5	P 2,048,738,699	P 2,576,872,713
Short-term placements	5	781,763,446	622,972,639
Trade and other receivables - net	6	506,049,202	573,510,605
Advances to related parties	25	2,423,879	2,423,879
Merchandise inventories and supplies - net	8	295,652,397	227,720,354
Real estate inventories - net	9	424,967,513	424,967,513
Other current assets	13	599,056,495	542,350,538
Total Current Assets		<u>4,658,651,631</u>	<u>4,970,818,241</u>
NON-CURRENT ASSETS			
Trade and other receivables	6	506,030,858	476,137,491
Financial assets at fair value through other comprehensive income	7	94,000,000	94,000,000
Investments in associates - net	7	30,166,259	29,612,714
Investment in bonds	7	20,000,000	20,000,000
Property and equipment - net	11	1,583,146,164	1,607,135,801
Investment properties - net	12	8,932,692,942	8,384,066,730
Right-of-use asset - net	10	1,694,254	3,757,465
Post-employment benefit asset - net	21	58,563,150	58,563,150
Deferred tax assets - net	22	12,991,767	12,991,767
Other non-current assets - net	13	32,388,782	31,075,752
Total Non-current Assets		<u>11,271,674,176</u>	<u>10,717,340,870</u>
TOTAL ASSETS		<u>P 15,930,325,807</u>	<u>P 15,688,159,111</u>

	<u>Notes</u>	<u>June 30, 2026</u>	<u>December 31, 2025</u>
<u>LIABILITIES AND EQUITY</u>			
CURRENT LIABILITIES			
Interest-bearing loans	14	52,500,000	39,375,000
Trade and other payables	15	645,891,978	494,656,791
Customers' deposits		15,503,840	24,760,297
Lease liabilities	10	2,027,151	3,838,746
Income tax payable		<u>10,990,672</u>	<u>6,508,310</u>
Total Current Liabilities		<u>726,913,641</u>	<u>569,139,144</u>
NON-CURRENT LIABILITIES			
Interest-bearing loans	14	802,812,500	835,625,000
Refundable deposits	16	38,014,249	23,014,249
Lease liabilities	10	-	60,232
Post-employment benefit obligation	21	32,690,533	32,690,533
Deferred tax liabilities - net	22	<u>1,233,565,202</u>	<u>1,212,807,982</u>
Total Non-current Liabilities		<u>2,107,082,484</u>	<u>2,104,197,996</u>
Total Liabilities		<u>2,833,996,125</u>	<u>2,673,337,140</u>
EQUITY			
Equity attributable to the			
Parent Company's stockholders			
Capital stock	23	2,030,975,000	2,030,975,000
Additional paid-in capital		4,641,701,922	4,641,701,922
Treasury shares - at cost	23	(115,614,380)	(115,614,380)
Revaluation reserves	23	191,607,953	161,289,723
Retained earnings	23	<u>6,297,254,892</u>	<u>6,247,354,128</u>
Total equity attributable to the			
Parent Company's stockholders		13,045,925,387	12,965,706,393
Non-controlling interests	23	<u>50,404,295</u>	<u>49,115,578</u>
Total Equity		<u>13,096,329,682</u>	<u>13,014,821,971</u>
TOTAL LIABILITIES AND EQUITY		<u>P 15,930,325,807</u>	<u>P 15,688,159,111</u>

See Notes to Consolidated Financial Statements.

SOLID GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2026 AND 2025
(Amounts in Philippine Pesos)

	Notes	June 30, 2026		June 30, 2025	
		2nd Quarter	Year-to-Date	2nd Quarter	Year-to-Date
REVENUES					
Sale of goods	4, 25	P 347,593,089	P 715,178,123	P 379,678,486	P 665,337,891
Rendering of services	25, 26	201,440,674	429,346,605	257,411,242	461,568,881
Rentals	12, 25, 27	164,194,664	329,671,458	154,274,227	305,289,740
Interest	5, 6, 7, 25	20,739,338	41,239,531	22,058,166	43,864,569
		<u>733,967,765</u>	<u>1,515,435,717</u>	<u>813,422,121</u>	<u>1,476,061,081</u>
COSTS OF SALES, SERVICES, RENTALS AND REAL ESTATE SALES					
Cost of sales	17, 18	269,334,034	552,085,975	299,697,604	524,890,600
Cost of services		144,145,029	293,709,673	188,162,422	328,805,077
Cost of rentals		16,698,670	82,199,142	17,721,268	71,433,358
		<u>430,177,733</u>	<u>927,994,790</u>	<u>505,581,294</u>	<u>925,129,035</u>
GROSS PROFIT		<u>303,790,032</u>	<u>587,440,927</u>	<u>307,840,827</u>	<u>550,932,046</u>
OTHER OPERATING EXPENSES (INCOME)					
General and administrative expenses	18	119,089,580	238,528,043	105,661,636	216,496,546
Selling and distribution costs	18	53,068,738	103,811,732	42,369,330	84,488,067
Other operating expense (income) - net	19	(21,963,614)	(40,481,607)	(97,497,888)	(118,351,971)
		<u>150,194,704</u>	<u>301,858,168</u>	<u>50,533,078</u>	<u>182,632,642</u>
OPERATING PROFIT (LOSS)		<u>153,595,328</u>	<u>285,582,759</u>	<u>257,307,749</u>	<u>368,299,404</u>
OTHER INCOME (CHARGES)					
Finance costs	20	(12,542,900)	(24,857,503)	(14,452,821)	(28,808,752)
Finance income	5, 6, 20	16,733,176	40,096,855	21,856,097	48,641,402
Share in net profit of an associate	7	232,123	553,545	-	-
Other gains (losses) - net	20	4,036,963	11,145,543	1,402,813	8,129,149
		<u>8,459,362</u>	<u>26,938,440</u>	<u>8,806,089</u>	<u>27,961,799</u>
PROFIT (LOSS) BEFORE TAX		<u>162,054,690</u>	<u>312,521,199</u>	<u>266,113,838</u>	<u>396,261,203</u>
TAX EXPENSE (INCOME)	22	<u>42,090,433</u>	<u>79,177,518</u>	<u>32,402,269</u>	<u>57,771,112</u>
NET PROFIT (LOSS)		<u>P 119,964,257</u>	<u>P 233,343,681</u>	<u>P 233,711,569</u>	<u>P 338,490,091</u>
Net Profit (Loss) attributable to the:					
Parent Company's stockholders	24	P 119,490,394	P 232,054,964	P 231,563,627	P 332,907,238
Non-controlling interests		P 473,863	1,288,717	2,147,942	5,582,853
		<u>P 119,964,257</u>	<u>P 233,343,681</u>	<u>P 233,711,569</u>	<u>P 338,490,091</u>
Earnings (Loss) per share attributable to the Parent Company's stockholders					
	24	<u>P 0.07</u>	<u>P 0.13</u>	<u>P 0.13</u>	<u>P 0.18</u>

See Notes to Consolidated Financial Statements.

SOLID GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2026 AND 2025
(Amounts in Philippine Pesos)

	Notes	June 30, 2026		June 30, 2025	
		2nd Quarter	Year-to-Date	2nd Quarter	Year-to-Date
NET PROFIT (LOSS)		P 119,964,257	P 233,343,681	P 233,711,569	P 338,490,091
OTHER COMPREHENSIVE INCOME (LOSS)					
Items that will be reclassified subsequently to profit or loss:	23				
Currency exchange differences on translating financial statements of foreign operations		7,254,489	30,318,230	(10,108,304)	(17,353,514)
TOTAL COMPREHENSIVE INCOME		P 127,218,746	P 263,661,911	P 223,603,265	P 321,136,577
Total comprehensive income (loss) attributable to:					
Parent Company's stockholders		P 126,744,883	P 262,373,194	P 221,455,323	P 315,553,724
Non-controlling interests		473,863	1,288,717	2,147,942	5,582,853
		P 127,218,746	P 263,661,911	P 223,603,265	P 321,136,577

See Notes to Consolidated Financial Statements.

SOLID GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2026 AND 2025
(Amounts in Philippine Pesos)

	<u>Notes</u>	<u>June 30, 2026</u>	<u>June 30, 2025</u>
EQUITY ATTRIBUTABLE TO THE PARENT COMPANY'S STOCKHOLDERS			
CAPITAL STOCK - P1 par value	23		
Authorized - 5,000,000,000 shares			
Issued - 2,030,975,000 shares			
Outstanding - 1,821,542,000 shares		<u>P 2,030,975,000</u>	<u>P 2,030,975,000</u>
ADDITIONAL PAID-IN CAPITAL	23	<u>4,641,701,922</u>	<u>4,641,701,922</u>
TREASURY SHARES - at cost	23		
Acquired at P0.5520 per share			
209,433,000 shares		(<u>115,614,380</u>)	(<u>115,614,380</u>)
REVALUATION RESERVES	23		
Balance at beginning of year			
As previously reported		161,289,723	182,941,686
Other comprehensive income (loss)		<u>30,318,230</u>	(<u>17,353,514</u>)
Balance at end of the period		<u>191,607,953</u>	<u>165,588,172</u>
RETAINED EARNINGS (DEFICIT)	23		
Balance at beginning of year			
As previously reported		6,247,354,128	5,731,763,093
Profit (loss) for the period attributable to			
Parent Company's stockholders		232,054,964	332,907,238
Dividends declared		(<u>182,154,200</u>)	(<u>182,154,200</u>)
Balance at end of the period		<u>6,297,254,892</u>	<u>5,882,516,131</u>
Total Equity Attributable to the Parent Company's stockholders		<u>13,045,925,387</u>	<u>12,605,166,845</u>
NON-CONTROLLING INTERESTS	23		
Balance at beginning of year		49,115,578	294,911,864
Profit (loss) for the period attributable to non-controlling interests		<u>1,288,717</u>	<u>5,582,853</u>
Balance at end of the period		<u>50,404,295</u>	<u>300,494,717</u>
TOTAL EQUITY		<u>P 13,096,329,682</u>	<u>P 12,905,661,562</u>

See Notes to Consolidated Financial Statements.

SOLID GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2026 AND 2025
(Amounts in Philippine Pesos)

	<u>Notes</u>	<u>June 30, 2026</u>	<u>June 30, 2025</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit (loss) before tax		312,521,199	396,261,203
Adjustments for:			
Interest income	(	71,565,495)	(83,339,376)
Depreciation and amortization		49,486,693	43,627,004
Impairment losses (reversal) on trade and other receivables - net	(	1,141,559	(3,945,030)
Interest expense		24,540,119	27,697,369
Unrealized foreign currency losses (gains) - net	(	1,387)	23,484
Loss (gain) on sale of property and equipment	(	1,417,249)	(969,643)
Share in net profit of an associate	(	553,545)	-
Provision (reversal of allowance) for inventory obsolescence – net	(	24,812,240)	(206,761)
Operating profit before working capital changes		289,339,654	379,148,250
Decrease (increase) in trade and other receivables		65,288,002	(235,027,044)
Decrease (increase) in merchandise inventories and supplies	(	43,119,803)	46,567,401
Decrease (increase) in advances to related parties		-	271,086
Decrease (increase) in other current assets	(	80,830,123)	(4,798,301)
Decrease (increase) in other non-current assets	(	1,213,030)	(1,397,797)
Increase (decrease) in trade and other payables	(	30,919,014)	(5,533,381)
Increase (decrease) in customers' deposits	(	9,256,457)	6,557,290
Increase (decrease) in refundable deposits		15,000,000	-
Cash generated from (used in) operations		204,289,229	185,787,504
Interest received		36,772,895	32,446,008
Cash paid for income taxes	(	17,825,236)	(27,541,390)
Net Cash From (Used in) Operating Activities		<u>223,236,888</u>	<u>190,692,122</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property and equipment	(	23,690,452)	(32,855,859)
Proceeds from disposal of property and equipment		1,573,857	2,001,729
Additional short-term placements	(	904,482,439)	(1,231,409,156)
Maturity of short-term placements		745,691,632	279,715,530
Interest received		24,260,771	31,579,845
Acquisition of investment properties	(	548,626,212)	(41,518,677)
Net Cash From (Used in) Investing Activities	(	<u>705,272,843)</u>	<u>992,486,588)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Principal paid on interest-bearing loans	(	19,687,500)	-
Repayment of lease liabilities	(	1,949,489)	(1,748,278)
Interest paid on interest-bearing loans	(	24,462,457)	(27,587,632)
Net Cash From (Used in) Financing Activities	(	<u>46,099,446)</u>	<u>29,335,910)</u>
Effects of Foreign Exchange Rate Changes on Cash and Cash Equivalents		<u>1,387</u>	(<u>23,484</u>)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(	528,134,014)	(831,153,860)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		<u>2,576,872,713</u>	<u>3,077,901,933</u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	P	<u><u>2,048,738,699</u></u>	P <u><u>2,246,748,073</u></u>

See Notes to Consolidated Financial Statements.

SOLID GROUP INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2026, AND DECEMBER 31, 2025
(Amounts in Philippine Pesos)

1. GENERAL INFORMATION

1.1 Group Background

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

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

Subsidiaries / Associates	Percentage of Ownership		Notes	Nature of Business
	2026	2025		
Subsidiaries:				
Avid Sales Corporation (Avid)	100	100		Distribution, wholesale and retail of home appliances and electronic products
Brilliant Reach Limited (BRL)	100	100	a	Investment holding company
Casa Bocobo Hotel, Inc. (CBHI)	100	100	b	Hotel operation
Green Sun Hotel Management Inc. (GSHMI)	100	100		Hotel and related businesses
Kita Corporation (Kita)	100	100		Leasing of real estate properties
My Solid Technologies & Devices Corporation (My Solid)	100	100		Sale of mobile phone, devices and accessories
MyApp Corporation (MyApp)	100	100	c	Investment holding company
Omni Solid Services, Inc. (OSSSI)	100	100		Logistics and assembly of consumer electronics products
Precos, Inc. (Precos)	100	100		Real estate
Solid Broadband Corporation (SBC)	100	100		Broadband, cable and satellite services
SolidService Electronics Corporation (SEC)	100	100		Repair services for audio and video products
Solid Group Technologies Corporation (SGTC)	100	100		Trading of prefabricated modular house and office units
Solid Manila Corporation (SMC)	100	100		Real estate
Solid Manila Finance, Inc. (SMFI)	100	100		Financing
Solid Video Corporation (SVC)	100	100		Trading of professional audio/video equipment
Zen Towers Corporation (ZTC)	100	100		Real estate
SVC Hong Kong Limited (SVC HK)	100	100	f	Trading of professional audio/video equipment
Skyworld Corporation (Skyworld)	75	75	b, d	Investment holding company
Associates:				
Fekon Solid Motorcycle Mfg. Corp. (Fekon)	31	31	7.3	Sale of motorcycle, motor parts and products
Starworld Corporation (Starworld)	30	30	b, d, e	Real estate

Notes:

- (a) *Incorporated and domiciled in the British Virgin Islands*
- (b) *Indirectly owned through SMC*
- (c) *Incorporated on October 23, 2014; has not yet started commercial operations as of December 31, 2025*
- (d) *Pre-operating or non-operating*
- (e) *Starworld ceased to be a subsidiary in 2025 and is classified as an associate thereafter. It is 40% owned by Skynworld and was 20% owned by SMC until 2024 (disposed in 2025).*
- (f) *Indirectly owned through SVC*

Additional information:

- (i) In October 2025, SMC disposed of its equity interest in Starworld. Details of the deconsolidation are presented in Note 23.5.
- (ii) In 2025, the Group's ownership interest in Fekon decreased from 44% to 30.8% following a dilution of the Group's shareholding arising from changes in Fekon's shareholdings during the year.
- (iii) In April 2026, SBC's provisional authority, approved by the National Telecommunications Commission, to use its legislative franchise under Republic Act (R.A.) No. 9116, *An Act Granting Solid Broadband Corporation a Franchise to Construct, Install, Establish, Operate and Maintain Telecommunications Systems throughout the Philippines* expired (see Note 26.2).
- (iv) SMFI is subject to the rules and regulations provided under R.A. No. 8556, *The Financing Group Act of 1998* (see Note 31).

1.2 Other Corporate Information

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

Avid, SMC and CBHI	- 1000 J. Bocobo cor. T.M. Kalaw Street, Ermita, Manila
BRL	- 2 nd Floor, Abbott Building, P.O. Box 933, Road Town, Tortola, British Virgin Islands
Kita	- N7175 Gil Puyat Ave. cor. Feati St., Clark Freeport Zone, Clarkfield, Pampanga
OSSI	- Solid St., LIIP, Mamlasan, Biñan, Laguna
SEC	- 145 G. Araneta Avenue, Brgy. Tatalon, Quezon City
SVC HK	- RM A301, 3/F Blk. A Sea View Est 2-8 Watson Rd, Causeway Bay, Hong Kong
ZTC	- 1111 Natividad A. Lopez St., Brgy. 659-A, District 5, Ermita, Manila

1.3 Approval for Issuance of Consolidated Financial Statements

The consolidated financial statements of the Group as of and for the year ended December 31, 2025 (including the comparative consolidated financial statements as of December 31, 2024 and for the years ended December 31, 2024 and 2023) were authorized for issue by the Parent Company's Board of Directors (BOD) on May 11, 2026.

2. MATERIAL ACCOUNTING POLICY INFORMATION

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

2.1 *Basis of Preparation of Consolidated Financial Statements*

(a) *Statement of Compliance with Philippine Financial Reporting Standards*

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

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

(b) *Presentation of Consolidated Financial Statements*

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

(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 Accounting Standards*

(a) *Effective in 2026 that is Relevant to the Group*

PFRS 9 and PFRS 7 (Amendments), *Financial Instruments, and Financial Instruments: Disclosures – Amendments to the Classification and Measurement of Financial Instruments* (effective from January 1, 2026)

(b) *Effective Subsequent to 2026 but not Adopted Early*

There are new standards and amendments to existing standards effective for annual periods subsequent to 2025, which are adopted by the FSRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and unless otherwise indicated, none of these

are expected to have significant impact on the Group's consolidated financial statements:

- (i) PFRS 18, *Presentation and Disclosure in Financial Statements* (effective from January 1, 2027). The new standard impacts the classification of profit or loss items (i.e., into operating, investing and financing categories) and the presentation of subtotals in the statement of profit or loss (i.e., operating profit and profit before financing and income taxes). The new standard also changes the aggregation and disaggregation of information presented in the primary financial statements and in the notes. It also introduces required disclosures about management-defined performance measures. The new standard, however, does not affect how the Group recognizes and measures its financial condition, financial performance and cash flows.
- (ii) PFRS 19, *Subsidiaries Without Public Accountability: Disclosures* (effective from January 1, 2027). The new standard reduces the disclosure requirements prescribed by other standards for subsidiaries without public accountability. It changes disclosure requirements prescribed by other standards as the reporting entity will instead refer to PFRS 19 for required disclosures.
- (iii) PFRS 10 and PAS 28 (Amendments), *Consolidated Financial Statements and Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (effective date deferred indefinitely).

2.3 Basis of Consolidation

The Group's consolidated financial statements comprise the accounts of the Parent Company and its subsidiaries as enumerated in Note 1.1, after the elimination of intercompany transactions.

Financial statements of entities in the Group that are prepared as of a date different from that of the date of these consolidated financial statements were adjusted to recognize the effects of significant transactions or events that occur between that date of their reporting period and the date of these consolidated financial statements. Adjustments are also made to bring into line any dissimilar accounting policies that may exist.

Subsidiaries are consolidated from the date the Group obtains control. The Parent Company reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the elements of controls. Accordingly, entities are deconsolidated from the date that control ceases (see Note 1.1).

The acquisition method is applied to account for acquired subsidiaries. On an acquisition-by-acquisition basis, the excess of the consideration transferred, the amount of any non-controlling interest (NCI) in the acquiree and the acquisition-date fair value of any existing equity interest in the acquiree over the acquisition-date fair value of identifiable net assets acquired is recognized as goodwill.

Acquired investments in associates are initially measured using the acquisition method.

The Group's transactions with NCI that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners of the Group in their capacity as owners.

2.4 Financial Instruments

Financial assets and financial liabilities are recognized when the entity becomes a party to the contractual provisions of the instrument. Regular purchases and sales of financial assets are recognized on their trade date (i.e., the date that the Group commits to purchase or sell the asset).

(a) Financial Assets

(i) Classification, Measurement and Reclassification of Financial Assets

The Group's financial assets include financial assets at amortized cost and at fair value through other comprehensive income (FVOCI).

Financial Assets at Amortized Cost

The Group's financial assets at amortized cost are presented in the consolidated statement of financial position as Cash and Cash Equivalents, Short-term Placements, Trade and Other Receivables (except Advances to suppliers and employees), Advances to Related Parties, Investment in Bonds, Refundable deposits (presented as part of Other Current Assets), and Cash bond (presented as part of Other Non-current Assets).

Financial Assets at FVOCI

At initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate equity investments as at FVOCI; however, such designation is not permitted if the equity investment is held by the Group for trading or as mandatorily required to be classified as fair value through profit or loss (FVTPL). The Group has irrevocably designated equity instruments as at FVOCI on initial recognition.

The Group reclassifies financial assets only when it changes its business model for managing those financial assets. 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 expected credit loss (ECL) on a forward-looking basis associated with its financial assets carried at amortized cost. The measurement of ECL

involves consideration of broader range of information that is available without undue cost or effort at the reporting date about past events, current conditions, and reasonable and supportable forecasts of future economic conditions (i.e., forward-looking information) that may affect the collectability of the future cash flows of the financial assets. Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instruments evaluated based on a range of possible outcomes.

The Group applies the simplified approach in measuring ECL, which uses a lifetime expected loss allowance for all trade and other receivables, except for loans receivables with significant financing component, and advances to related parties. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets.

To calculate the ECL using a provision matrix, the Group uses its historical experience, external indicators and forward-looking information. The Group also assesses impairment of trade receivables on a collective basis as they possess shared credit risk characteristics and have been grouped based on the days past due.

For loans receivables, which is presented under Trade and Other Receivables account in the consolidated statement of financial position, the Group recognizes lifetime ECL when there has been a significant increase in credit risk on a financial asset since initial recognition. Lifetime ECL represents the expected credit loss that will result from all possible default events over the expected life of a financial asset, irrespective of the timing of the default. However, if the credit risk on a financial asset has not increased significantly since initial recognition, the Group measures and provides for credit losses that are expected to result from default events that are possible within 12-months after the end of the reporting period.

For debt instruments (i.e., investment in bonds) measured at amortized cost, the allowance for credit losses is based on the ECL associated with the probability of default of a financial instrument in the next 12 months, unless there has been a significant increase in credit risk since the origination of the financial asset, in such case, a lifetime ECL is recognized. For a purchased or originated credit impaired, the allowance for credit losses is based on the change in the ECL over the life of the asset. The Group recognized a loss allowance for such losses at each reporting date.

The Group determines whether there has been a significant increase in credit risk for financial asset since initial recognition by comparing the risk of default occurring over the expected life of the financial asset between the reporting date and the date of the initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that may indicate an actual or expected deterioration of the credit quality of the financial assets.

(b) *Financial Liabilities*

Financial liabilities include Trade and Other Payables (excluding tax-related liabilities, unearned rentals, advances from customers, contract liability and reserve for warranty costs), Lease Liabilities, Advances from Related Parties, Interest-bearing Loans and Refundable Deposits.

2.5 *Merchandise Inventories and Supplies*

Inventories are valued at the lower of cost and net realizable value (NRV). The cost is determined using the moving average method.

2.6 *Real Estate Inventories*

Real estate inventories consist of land and land development costs and property development costs.

Subsequent to initial recognition, land and land development costs and property development costs are stated at the lower of cost and net realizable value. An item of land and land development cost is derecognized upon disposal or when no future economic benefits are expected to arise from the sale of the asset.

2.7 *Property and Equipment*

Property and equipment, except land, are carried at acquisition cost or construction cost less subsequent depreciation, amortization and any impairment losses. Land held for use in production or administration is stated at cost less any impairment losses. Construction in progress pertains to the accumulated costs of putting up the assets, additions or improvements including the applicable borrowing cost.

Depreciation is computed on the straight-line basis over the estimated useful lives of the assets as follows:

Buildings and improvements	10 to 25 years
Test, communication and other equipment	5 to 20 years
Machinery and equipment	5 to 10 years
Transportation equipment	5 years
Computer system	2 to 5 years
Furniture, fixtures and office equipment	2 to 5 years
Tools and equipment	2 to 3 years

Leasehold improvements are amortized over the estimated useful lives of the assets from two to 15 years or the terms of the relevant leases, whichever is shorter.

2.8 *Intangible Assets*

Intangible assets include non-proprietary club shares and computer software licenses, which are accounted for under the cost model.

The Group's non-proprietary club shares are assessed as having indefinite useful life.

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and install the specific software. Capitalized costs are amortized on a

straight-line basis over the estimated useful lives (ranging from three to ten years) as the lives of these intangible assets are considered finite. Costs associated with maintaining computer software and those costs associated with research activities are recognized as expense in profit or loss as incurred. Development costs not meeting these criteria for capitalization are expensed as incurred.

Intangible assets are subject to impairment testing when indications exist, as described in Note 2.12.

2.9 Investment Properties

Investment properties are accounted for under the fair value model. They are revalued periodically and are included in the consolidated statement of financial position at fair value. Fair value is supported by market evidence and is determined by independent appraisers with sufficient experience with respect to both the location and the nature of the investment property.

Investment properties, which consist mainly of land and improvements, and buildings and improvements under operating lease agreements, are initially measured at acquisition cost, including transaction costs.

Construction in progress pertains to the accumulated costs of putting up the assets, additions or improvements including the applicable borrowing cost.

Transfers from other accounts (such as Land and Land Development Costs and Property and Equipment) are made to investment properties when and only when, there is a change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party. Transfers from investment properties are made when, and only when, there is a change in use, evidenced by commencement of the owner-occupation or commencement of development with a view to sell.

For tax purposes, investment properties are carried at cost less accumulated depreciation computed on a straight-line basis over the estimated net useful lives of the assets ranging from 11 to 25 years.

2.10 Revenue and Expense Recognition

Revenue comprises revenue from sale of goods and real estate and the rendering of services measured by reference to the fair value of consideration received or receivable by the Group for the goods sold and services rendered, excluding value-added tax (VAT) and trade discounts.

The Group often enters into transactions involving the sale of goods and real estate and rendering of services. The transaction price allocated to performance obligations satisfied at a point in time is recognized as revenue when control of the goods or services transfers to the customer. If the performance obligation is satisfied over time, the transaction price allocated to that performance obligation is recognized as revenue as the performance obligation is satisfied. The Group uses the practical expedient in PFRS 15 with respect to non-disclosure of the aggregate amount of the transaction price allocated to unsatisfied or partially satisfied performance obligations as of the end of the reporting period and the explanation of when such amount will be recognized as revenue as the Group's contracts with customers have original expected duration of one year or less, except for real estate sales.

In addition, the following specific recognition criteria must also be met before revenue is recognized. Significant judgments in determining the timing of satisfaction of the following performance obligations are disclosed in Note 3.1(b):

- (a) *Rendering of services (other than commission income)* – Revenue, which primarily arises from service fees, room and events services, assembly and test lab services, warehousing and repair services, is recognized by the amount in which the Group has a right to invoice that corresponds directly with the value of services rendered that is completed over a period of time.
- (b) *Sale of goods* – Revenue, which primarily includes the sale of handsets, devices, accessories, equipment, appliances and modular houses, is recognized at a point in time. This is generally when the customer has taken an undisputed delivery of goods.
- (c) *Warranty and network support fee (shown as part of Rendering of Services)* – Revenue from warranty and network support fee is recognized over time upon actual rendering of in-warranty and out-of-warranty services to the customers. Revenue from network support, which is a fixed amount per month as indicated in the contract, is accrued at the end of each month.
- (d) *Sale of real estate*
 - (i) *Sale of real estate on pre-completed real estate properties* – Revenue from real estate sales is recognized over time proportionate to the progress of the development. The Group measures its progress based on actual costs incurred relative to the total expected costs to be incurred in completing the development.
 - (ii) *Sale of real estate on completed real estate properties* – Revenue from real estate sales is recognized at a point in time when the control over the real estate property is transferred to the buyer.

Payments received from buyers which do not meet the revenue recognition criteria are presented as Customers' Deposits in the consolidated statement of financial position.

- (e) *Commission income (shown as part of Rendering of Services)* – Commission income is recognized over time when the performance of contractually agreed tasks has been substantially rendered.
- (f) *Service charges and penalties* – Revenue from service charges and penalties is generally recognized over time when the service has been provided and when there is reasonable degree of certainty as to their collectability.
- (g) *Other revenues from utilities charged and common use service area (CUSA)* – Other revenues arising from utilities and CUSA charges related to leasing activities are recognized over time as the Group performs the contractually agreed task. Customers are invoiced monthly as work progresses, which are also due upon receipt by the customers.

The Group assesses its revenue agreement against the specific criteria in order to determine if it is acting as a principal or an agent [see Note 3.1(g)]. Billings from the

common area, air conditioning, utilities and other dues are presented at gross amounts since the Group acts as a principal. Other revenues from electricity and water dues, in which the Group acts as an agent, are presented in excess of actual charges and consumption.

Further, the Group provides a product warranty for a period of 15 months from the time of sale on its sales of goods related to hidden and manufacturer's defect. Under the terms of this warranty, customers can return the product for repair or replacement if it fails to perform in accordance with published specifications. These warranties are accounted for under PAS 37, *Provisions, Contingent Liabilities, and Contingent Assets*.

However, if the Group is required to refund the related purchase price for returned goods, it recognizes a refund liability for the expected refunds by adjusting the amount of revenues recognized during the period.

In obtaining customer contracts, the Group incurs incremental costs. As the expected amortization period of these costs, if capitalized, would be less than one year, the Group uses the practical expedient in PFRS 15 and expenses such costs as incurred. The Group also incurs costs in fulfilling contracts with customers. However, as those costs are within the scope of other financial reporting standards, the Group accounts for those costs in accordance with accounting policies related to those financial reporting standards.

Costs and expenses are recognized in profit or loss upon utilization of goods or services or at the date they are incurred. Expenditure for warranties is recognized and charged against the associated provision when the related revenue is recognized. All finance costs are reported in the consolidated statement of income on an accrual basis, except capitalized borrowing costs, if applicable, which are included as part of the cost of the related qualifying asset.

2.11 Leases

The Group accounts for its leases as follows:

(a) Group as a Lessee

Subsequent to initial recognition, the Group depreciates the right-of-use asset on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. Further, the lease liability will be reduced for payments made and increased for interest. The lease liability is remeasured to reflect any reassessment or modification, or if there are changes in substance fixed payments.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

(b) Group as a Lessor

Leases which do not transfer to the lessee substantially all the risks and rewards of ownership of the asset are classified as operating leases. Lease income from

operating leases is recognized in the consolidated statement of income on a straight-line basis over the lease term.

2.12 Impairment of Non-financial Assets

The Group's property and equipment, investment in associates, intangible assets (presented under non-current assets), right-of-use assets and other non-financial assets are subject to impairment testing. Intangible assets with an indefinite useful life or those not yet available for use are tested for impairment at least annually. All other individual assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount of those assets may not be recoverable.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. Except for impairment losses on goodwill, an impairment loss is reversed if the asset or cash-generating unit's recoverable amount exceeds its carrying amount.

2.13 Employee Benefits

The Group provides post-employment benefits to employees through a defined benefit plan and defined contribution plans, and other employee benefits.

The Group's defined benefit post-employment plan covers all regular full-time employees. The pension plan is tax-qualified, non-contributory, and administered by an investment manager. The defined benefit obligation is calculated annually by an independent actuary using the projected unit credit method.

A defined contribution plan is a post-employment plan under which the Group pays fixed contributions into an independent entity. The Group has no legal or constructive obligation to pay further contributions after payment of the fixed contribution.

Termination benefits are payable when employment is terminated by the Group for authorized cause before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits.

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

Short-term employee benefits are monetary and non-monetary benefits provided to current employees, which are expected to be settled 12 months after the end of the reporting period during which the employee services are rendered.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements in accordance with PFRS Accounting Standards requires management to make judgments and estimates that significantly affect the amounts reported in the consolidated financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are

believed to be reasonable under the circumstances. Actual results may ultimately differ from these estimates.

3.1 Critical Management Judgments in Applying Accounting Policies

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimation, which have the most significant effect on the amounts recognized in the consolidated financial statements:

(a) Determination of Lease Term of Contracts with Renewal and Termination Options

In determining the lease term, management considers all relevant factors and circumstances that create an economic incentive to exercise a renewal option or not exercise a termination option.

Renewal options and/or periods after termination options are only included in the lease term if the lease is reasonably certain to be extended or not terminated and the renewal of the contract is not subject to mutual agreement of both parties.

The lease term is reassessed if an option is actually exercised or not exercised or the Group becomes obliged to exercise or not exercise it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the Group.

(b) Determination of Timing of Satisfaction of Performance Obligations

(i) Rendering of Services

The Group determines that its revenue from rendering of services shall be recognized over time. In making its judgment, the Group considers the timing of receipt and consumption of benefits provided by the Group to the customers. The Group provides the services without the need of reperformance of other companies. This demonstrates that the customers simultaneously receive and consume the benefits of the Group's rendering of the services as it performs.

In determining the best method of measuring the progress of the Group's rendering of services, management considers the output method under PFRS 15 because it directly measures the value of the services transferred to the customer.

(ii) Sale of Goods

The Group determines that its revenue from sale of goods shall be recognized at a point in time when the control of the goods has passed to the customer (i.e., generally when the customer has acknowledged delivery of the goods).

(iii) Sale of Real Estate

The Group exercises critical judgment in determining whether the performance obligation to deliver and transfer the control over the real

estate properties (i.e., land and condominium building) to customers is satisfied over time or at a point in time.

In making this judgment, the Group considers the delivery to and acceptance by the buyer of the property as a transfer of control at specific point in time when control of the property transfers to the buyer. Further, the Group's enforceable right for payment becomes due upon transfer of control over the real estate property. The Group's management determines that its revenue from the sale of real estate inventories, which are completed and ready for use, shall be recognized at a point in time when the control has transferred to the customer (see Note 2.10).

(c) *Determination of ECL on Trade and Other Receivables, Investment in Bonds and Advances to Related Parties*

The Group uses a provision matrix to calculate ECL for trade and other receivables. The provision matrix is based on the Group's historical observed default rates. The Group's management intends to regularly calibrate (i.e., on an annual basis) the matrix to consider the historical credit loss experience with forward-looking information (i.e., forecast economic conditions).

For loans receivables (presented under Trade and Other Receivables account), the allowance for impairment is based on the ECL associated with the probability of default of a financial instrument in the next 12 months, unless there has been a significant increase in credit risk since origination of the financial instrument, in such case, a lifetime ECL for the instrument is recognized.

The Group also uses an external benchmarking approach to calculate ECL for investment in bonds. The provision rates are derived from published credit ratings by external rating agencies. As referenced to these external credit benchmarks, the Group defines the credit ratings based on certain financial ratios and appropriately determines the equivalent internal credit ratings. Referenced probability of default is then derived from the latest annual global corporate default study published by the external rating agency. The Group makes an annual reassessment of the applicability and reliability of the reference rates used.

The Group has established a policy to perform an assessment, at the end of each reporting period, whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Other portion of the Group's financial asset at amortized cost pertains to advances to related parties. In relation to this, the maximum period over which ECL should be measured is the longest contractual period where an entity is exposed to credit risk. In the case of these advances to related parties, which are repayable on demand, the contractual period is the very short period needed to transfer the cash once demanded. Management determines possible impairment based on the sufficiency of the related parties' highly liquid assets in order to repay the Group's receivables if demanded at the reporting date taking into consideration the historical defaults of the related parties. If the Group cannot immediately collect its receivables, management considers the expected manner of recovery to measure ECL. If the recovery strategies indicate that the outstanding balance of

receivables can be collected, the ECL is limited to the effect of discounting the amount due over the period until cash is realized.

The details about the ECL on the Group's trade and other receivables, investment in bonds and advances to related parties are disclosed in Notes 6, 7.2, 25.2, 28.2(b), 28.2(c) and 28.2(e).

(d) Costing of Merchandise Inventories and Supplies

The Group's inventory costing policies and procedures were based on a careful evaluation of present circumstances and facts affecting production operations. A review of the benchmarks set by management necessary for the determination of inventory costs and allocation is performed regularly. Actual data are compared to the related benchmarks and critical judgment is exercised to assess the reasonableness of the costing policies and procedures which are currently in place and to make the necessary revisions in light of current conditions.

(e) Distinction Between Investment Properties, Owner-occupied Properties and Real Estate Inventories

The Group determines whether a property qualifies as investment property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to the properties but also to other assets used in the production or supply process. On the other hand, real estate inventories are properties intended to be sold in the normal course of business.

(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 the management's judgment, all of the Group's lease agreements were determined to be operating leases.

(g) Evaluating Principal Versus Agent Consideration

The Group exercises judgment to determine whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e., the Group is a principal) or to arrange for the other party to provide those goods or services (i.e., the Group is an agent). Failure to make the right judgment will result in misstatement of revenues and expenses accounts. The Group assessed that it is only acting as an agent for utility transactions of its tenants under operating leases. The amount of utility revenues and utility expenses, which were set-off against each other amounted to P6 million and P7.6 million in 2026 and 2025, respectively, in the consolidated statements of income.

(b) Recognition of Provisions and Contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources, and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. Similarly, possible outflows of economic benefits to the Group that do not meet the recognition criteria of a liability are considered contingent liabilities, hence, are not recognized in the consolidated financial statements.

Judgment is exercised by management to distinguish between provisions and contingencies. Disclosures on relevant provisions and contingencies are presented in Note 27.

3.2 Key Sources of Estimation Uncertainty

Presented below and on the succeeding pages are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period:

(a) Determination of Appropriate Discount Rate in Measuring Lease Liabilities

The Group measures its lease liabilities at the present value of the lease payments that are not paid at the commencement date of the lease contract. The lease payments were discounted using a reasonable rate deemed by management equal to the Group's incremental borrowing rate.

In determining a reasonable discount rate, management considers the term of the leases, the underlying asset and the economic environment. Actual results, however, may vary due to changes in estimates brought about by changes in such factors.

(b) Estimation of Allowance for ECL

The measurement of the allowance for ECL on financial assets at amortized cost is an area that requires the use of significant assumptions about the future economic conditions and credit behavior (e.g., likelihood of customers defaulting and the resulting losses).

Specifically for loans receivables, the Group's ECL calculations are outputs of complex models with a number of underlying assumptions which include: (1) the Group's criteria for assessing if there has been a significant increase in credit risk; and, (2) development of expected credit loss models, including the choice of inputs relating to macroeconomic variables.

Explanation of the inputs, assumptions and estimation used in measuring ECL is further detailed in Notes 6, 7.2, 25.2, 28.2(b), 28.2(c) and 28.2(e).

(c) Fair Value Measurement for Financial Instruments

Management applies valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management

to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument.

Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the end of the reporting period.

The carrying values of the Group's financial assets at FVOCI and the amounts of fair value changes recognized on those assets are disclosed in Note 7.

(d) *Determination of Net Realizable Value of Merchandise Inventories and Supplies*

In determining the net realizable value of merchandise inventories and supplies, management takes into account the most reliable evidence available at the time the estimates are made.

The Group's core business is continuously subject to rapid technology changes which may cause inventory obsolescence. Moreover, future realization of the carrying amounts of inventories is affected by price changes in different market segments of electronic devices, modular houses, broadcast equipment and accessories (see Note 8). Both aspects are considered key sources of estimation uncertainty and may cause significant adjustments to the Group's merchandise inventories and supplies within the next reporting period.

(e) *Determination of Net Realizable Value of Real Estate Inventories*

The Group adjusts the cost of its real estate inventories to net realizable value based on its assessment of the recoverability of real estate inventories. The net realizable value for completed real estate inventories is assessed with reference to market conditions and prices existing at the reporting date and is determined by the Group in the light of recent market transactions.

Net realizable value in respect of real estate inventories under construction is assessed with reference to market prices at the reporting date for similar property at the same stage of completion, less estimated costs to complete construction and less estimated costs to sell. The amount and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized.

Management's assessment of net realizable value of properties under development requires the estimates of future cash flows to be derived from these properties. These estimates require judgment as to the anticipated sale prices by reference to recent sales transactions in nearby locations, rate of new property sales, marketing costs (including price discounts required to stimulate sales) and the expected costs to completion of properties, the legal and regulatory framework and general market conditions.

The carrying amounts of the real estate inventories are disclosed in Note 9.

(f) *Estimation of Useful Lives of Right-of-Use Assets, Property and Equipment and Intangible Assets*

The Group estimates the useful lives of right-of-use assets, property and equipment and intangible assets based on the period over which the assets are expected to be available for use. The estimated useful lives of these assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical/commercial obsolescence and legal or other limits on the use of the assets.

The carrying amounts of right-of-use assets, property and equipment and intangible assets are analyzed in Notes 10.1, 11 and 13.1, respectively. Based on management's assessment as of June 30, 2026 there is no change in the estimated useful lives of property and equipment and intangible assets. Actual results, however, may vary due to changes in estimates brought about by changes in the factors mentioned above.

(g) *Fair Value Measurement of Investment Properties*

The Group's investment properties, which consist of parcels of land and buildings and improvements, are measured at fair value at the end of each reporting period. The determination of fair value is considered a key source of estimation uncertainty, as it involves the use of significant judgements and assumptions that are inherently subjective and sensitive to changes in market conditions.

The fair values of investment properties are determined by independent professional appraisers with appropriate qualifications and relevant experience, using valuation techniques and inputs as described in Note 30.4. Although independent appraisals are obtained, the valuation process requires management judgement in assessing the appropriateness of the assumptions used, including those relating to market prices of comparable properties, location, physical condition, replacement costs, depreciation, obsolescence, and the assessment of the properties' highest and best use.

For investment properties with valuations performed prior to or subsequent to the end of the reporting period, management evaluates whether significant events or changes in economic or market conditions have occurred during the intervening period that would indicate the need to adjust the reported fair values at year-end.

As fair value measurements are based on market-dependent assumptions, changes in these key assumptions, particularly those relating to market prices of comparable properties, construction and replacement costs, and depreciation and obsolescence factors, could result in a material adjustment to the carrying amounts of investment properties within the next financial year. Fair value gains or losses arising from changes in the fair value of investment properties are recognized in profit or loss and are disclosed in Note 12.

(h) *Determination of Realizable Amount of Deferred Tax Assets*

The Group reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that

sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

The carrying value of recognized deferred tax assets, which management assessed may be fully utilized in the coming years, as of June 30, 2026 is disclosed in Note 22.2. Certain deferred tax assets, however, were not recognized since management believes that there is no assurance that the related tax benefits will be realized in the coming years.

(i) *Impairment of Non-financial Assets*

In assessing impairment, management estimates the recoverable amount of each asset or a cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate. Though management believes that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in those assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

Based on management's assessment, certain non-financial assets were impaired in 2025 (see Notes 7.3 and 13). Consequently, the Group recognizes loss on impairment for these assets (see Note 18).

(j) *Estimation of Reserve for Warranty Costs*

The Group offers a warranty, for a period ranging from one to two years, for each consumer electronic product sold. Management estimates the related provision for future warranty costs based on a certain percentage of sales, as determined based on historical warranty claim information as well as recent trends that might suggest that past cost information may differ from expectations. Warranty costs also include the actual cost of materials used in repairing the electronic products.

The amounts of provision for warranty claims recognized and the outstanding balance of Reserve for warranty costs, which is presented as part of Trade and Other Payables in the consolidated statements of financial position, are disclosed in Note 15.

(k) *Valuation of Post-employment Defined Benefit*

The determination of the Group's obligation and cost of post-employment benefit is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 21.2 and include, among others, discount rates and expected rate of salary increases. A significant change in any of these actuarial assumptions may generally affect the recognized expense, other comprehensive income or losses and the carrying amount of the post-employment benefit asset and obligation in the next reporting period.

The amounts of the fair value of the retirement benefit asset and present value of retirement benefit obligation and the analysis of the movements in the fair value

of the retirement benefit asset and present value of retirement benefit obligation, as well as the significant assumptions used in estimating such asset and obligation are presented in Note 21.2.

4. SEGMENT INFORMATION

4.1 *Business Segments*

Operating segments are reported in a manner consistent with the internal reporting provided to the Parent Company's BOD, its chief operating decision-maker. The BOD is responsible for allocating resources and assessing the performance of the operating segments.

In identifying its operating segments, management generally follows the Group's products and services. The Group's main operating businesses are organized and managed separately according to the nature of services and products provided and the different markets served, with each segment representing a strategic business unit as each of these services requires different technologies and resources as well as marketing approaches.

The Group's different business segments are presented as follows:

- (a) Distribution/Retail is involved in the sale of mobile phones and devices, home appliances and other electronic products, professional audio and video equipment, and prefabricated modular houses;
- (b) Property and related services are involved in the leasing, development and sale of industrial and other real estate properties and hotel and related businesses;
- (c) Logistics and technical solutions are presently engaged in the business of warehousing, distribution and electronic servicing; and,
- (d) Investment and others include investment holding companies, and those included in the business of financing and credit extension.

The measurement policies of the Group used for segment reporting under PFRS 8, *Operating Segments*, are the same as those used in its consolidated financial statements. In addition, corporate resources, which are not directly attributable to the business activities of any operating segment, are not allocated to a segment.

Segment assets are allocated based on their use or direct association with a specific segment and they include all operating assets used by each business segment and consist principally of operating cash, receivables, inventories, investment properties and property and equipment, net of allowances and provisions.

Similar to segment assets, segment liabilities include all operating liabilities used by each segment and consist principally of accounts, wages, taxes currently payable and accrued liabilities. Segment assets and liabilities do not include deferred taxes.

Segment revenues, expenses and performance include sales and purchases between business segments; such sales and purchases are eliminated in the consolidation.

4.2 Analysis of Segment Information

The tables below and on the succeeding pages present certain asset and liability information regarding business segments as of June 30, 2026 and December 31, 2025 and the related revenue and profit information for each of the period ended June 30, 2026 and 2025 (amounts are in thousands).

<i>(Amounts in PHP)</i>	<u>Distribution/ Retail</u>	<u>Property and Related Services</u>	<u>Logistics and Technical Solutions</u>	<u>Investment and Others</u>	<u>Elimination</u>	<u>Total</u>
2026						
SEGMENT RESULTS						
Total Revenues	<u>724,766</u>	<u>358,074</u>	<u>437,868</u>	<u>66,608</u>	<u>(71,880)</u>	<u>1,515,436</u>
Net Profit (Loss)	<u>(701)</u>	<u>133,267</u>	<u>83,521</u>	<u>16,440</u>	<u>817</u>	<u>233,344</u>
SEGMENT ASSETS AND LIABILITIES						
Total assets	<u>908,202</u>	<u>12,132,610</u>	<u>849,900</u>	<u>9,366,270</u>	<u>(7,326,656)</u>	<u>15,930,326</u>
Total liabilities	<u>237,244</u>	<u>2,469,685</u>	<u>126,081</u>	<u>252,295</u>	<u>(251,309)</u>	<u>2,833,996</u>
 <i>(Amounts in PHP)</i>						
2025						
SEGMENT RESULTS						
Total Revenues	<u>691,846</u>	<u>346,298</u>	<u>417,816</u>	<u>89,329</u>	<u>(69,228)</u>	<u>1,476,061</u>
Net Profit (Loss)	<u>(3,547)</u>	<u>242,873</u>	<u>75,564</u>	<u>23,600</u>	<u>-</u>	<u>338,490</u>
SEGMENT ASSETS AND LIABILITIES						
Total assets	<u>937,189</u>	<u>12,225,420</u>	<u>763,600</u>	<u>9,322,555</u>	<u>(7,560,605)</u>	<u>15,688,159</u>
Total liabilities	<u>265,662</u>	<u>2,677,964</u>	<u>123,068</u>	<u>85,105</u>	<u>(478,462)</u>	<u>2,673,337</u>

There have been no significant changes from prior periods in the measurement methods used to determine reported segment information.

4.3 Disaggregation of Revenues from Contracts with Customers and Other Counterparties

When the Group prepares its investor presentations and when the Group management evaluates the financial performance of the operating segments, it disaggregates revenue similar to its segment reporting as presented in Note 4.2. The Group determines that the categories used in the investor presentations and financial reports used by the Group's management can be used to meet the objective of the disaggregation disclosure requirement of PFRS 15, which is to disaggregate revenue from contracts with customers and other counterparties (except for rentals accounted for under PFRS 16, *Leases*, included herein as additional information) into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected

by economic factors. A summary of additional disaggregation from the segment revenues and other unallocated income are shown below and on the succeeding page.

<i>(Amounts in thousands PHP)</i>	Segment Revenues (Sales to External Customers)				
	Point in time	Over time	Leases	Interest	Total
<u>June 30, 2026</u>					
Distribution/retail	693,343	22,062	9,361	-	724,766
Logistics and technical solutions	21,835	336,493	78,245	-	436,574
Property and related services	-	58,004	242,065	-	300,068
Investments and others	-	12,788	-	41,240	54,028
	<u>715,178</u>	<u>429,347</u>	<u>329,671</u>	<u>41,240</u>	<u>1,515,436</u>
<u>June 30, 2025</u>					
Distribution/retail	638,450	53,396	-	-	691,846
Logistics and technical solutions	26,888	317,333	72,026	-	416,247
Property and related services	-	57,152	233,263	-	290,415
Investments and others	-	33,689	-	43,864	77,553
	<u>665,338</u>	<u>461,570</u>	<u>305,289</u>	<u>43,864</u>	<u>1,476,061</u>

The Group's segment revenues (sales to external customers) include rendering of services, sale of goods, rentals and sale of real estate which are presented in the consolidated statements of income.

5. CASH AND CASH EQUIVALENTS AND SHORT-TERM PLACEMENTS

5.1 Cash and Cash Equivalents

Cash and cash equivalents include the following components as of June 30:

<i>(Amounts in PHP)</i>	2026	2025
Cash on hand and in banks	237,409,195	721,381,019
Cash equivalents	<u>1,811,329,504</u>	<u>1,855,491,694</u>
	<u>2,048,738,699</u>	<u>2,576,872,713</u>

Cash in banks generally earn interest based on daily bank deposit rates. Cash equivalents pertain to highly liquid short-term investment with maturity periods varying from one to 90 days and earn annual interests ranging from 3.0% to 5.0% and 5.25% to 5.80% in 2026 and 2025, respectively.

Interest earned from cash in banks and cash equivalents are presented as part of Interest under Revenues and as part of Finance income under Other Income (Charges) in the consolidated statements of income (see Note 20.2).

5.2 Short-term Placements

Short-term placements, which is presented separately in the consolidated statements of financial position, pertain to time deposits with maturity periods varying between 91 to 365 days and earns effective interests of 5.00% in 2026 and 5.00% in 2025. As of June 30, 2026 and December 31, 2025, short-term placements amounting to P782.0 million and P623.0 million, respectively.

Interest earned from short-term placements is presented as part of Interest under Revenues and as part of Finance income under Other Income (Charges) in the consolidated statements of income (see Note 20.2). The outstanding balance of related interest is presented as Interest receivable under Trade and Other Receivables in the consolidated statements of financial position (see Note 6).

6. TRADE AND OTHER RECEIVABLES

This account is composed of the following:

<i>(Amounts in PHP)</i>	Notes	2026	2025
Current:			
Trade receivables	6.1		
	26.1, 26.2	245,156,222	320,048,938
Rental receivables	6.5	232,628,010	202,884,079
Loans receivable	6.3	83,109,623	100,717,909
Advances to:			
Suppliers	6.2(a)	22,265,837	21,656,389
Employees	6.2(b)	6,721,532	2,635,692
Interest receivable	5.2, 7.2	7,356,454	8,813,159
Other receivables	6.6	19,386,450	26,287,806
		616,624,128	683,043,972
Allowance for impairment	6.7	(110,574,926)	(109,533,367)
		506,049,202	573,510,605
Non-current:			
Cash surrender value of investment in life insurance	6.4	506,030,858	476,137,491
Loans receivables	6.3		
		506,030,858	476,137,491
		1,012,080,060	1,049,648,096

All trade and other receivables are subject to credit risk exposure [see Note 28.2(b)]. The Group does not identify the specific concentration of credit risk with regard to trade and other receivables as the amounts recognized resemble a large number of receivables from various customers.

6.1 Trade Receivables

Trade receivables arise from the sale of goods and rendering of services to customers. Certain receivables from trade customers are covered by post-dated checks. Trade receivables are measured at amortized cost and have annual effective interest rates

ranging from 3.00% to 6.00% in 2026 and 2025, depending on the payment terms. Trade receivables which are expected to be settled beyond one year after the end of the reporting period are classified as non-current trade and other receivables.

Interest earned from real estate sales is presented as part of Finance income under Other Income (Charges) in the consolidated statements of income (see Note 20.2). There were no real estate sales in 2026 and 2025.

Trade receivables from the sale of goods and services are usually due within 30 to 90 days, generally unsecured and do not bear interest.

6.2 Advances

(a) Suppliers

Generally, advances to suppliers include advance payments made to suppliers for future purchases of pro-tapes, video and medical equipment, and spare parts.

Advances to suppliers that will be applied as payment for future purchase of merchandise inventories and supplies are classified and presented under Current Assets. On the other hand, advances to contractors and/or suppliers that will be applied as payment for future acquisition or construction of items of property and equipment, or acquisition and construction of investment property are classified and presented under the Non-Current Assets. The classification and presentation are based on the eventual usage or realization of the asset to which it was advanced for.

(b) Employees

Advances to employees represent unsecured, noninterest-bearing cash advances for business-related expenditures and are subject to liquidation.

6.3 Loans Receivables

Loans receivables pertain to appliances loans, business loans and car loans offered by the Group to its customers. Loans receivables that are expected to be settled beyond one year after the end of the reporting period or beyond the normal operating cycle of the business, if longer, are classified as part of non-current trade and other receivables.

Interest income recognized on the Group's loans receivables amounted to P8.6 million and P2.8 million in 2026 and 2025, respectively, and are presented as part of Interest under Revenues in the consolidated statements of income. The effective interest rates on loans receivables ranging from 3.00% to 36.00% in 2026 and 2025. There was no outstanding interest on loans receivable as of June 30, 2026 and December 31, 2025.

6.4 Cash Surrender Value of Investment in Life Insurance

Cash surrender value of investment in life insurance pertains to insurance policies purchased by BRL for certain directors of the Parent Company. The beneficiary of this investment in life insurance is the Parent Company and accounted for under the cash surrender value method. Under this method, the initial cash surrender value of the

insurance policies is recognized immediately in the consolidated statements of financial position. Subsequently, any increase in cash surrender value is recognized as part of Finance income under Other Income (Charges) in the consolidated statements of income (see Note 20.2). In 2026 and 2025, the increase in cash surrender value amounted to P9 million and P8 million, respectively.

6.5 Rental Receivables

Rental receivables represent uncollected monthly receivables from a related party and third-party tenants of the Group. This includes rent receivables arising from the application of PFRS 16, which represent the difference between the cash basis rent income and the straight-line rent income of all outstanding lease contracts as of the end of the reporting periods.

6.6 Other Receivables

Other receivables include the following:

- amounts due from credit card companies for the sale of Closed Circuit Television (CCTV), which are collected the following day the receivables are recognized;
- testing fees and utility charges billed by the Group to its lessees;
- unsecured, noninterest-bearing cash advances made to Homeowners' Association for expenses incurred by the unit owners and related outstanding receivables; and,
- retention fees and other claims to government (i.e., Social Security System).

6.7 Allowance for Impairment

All of the Group's trade and other receivables have been assessed for impairment based on the ECL model. The fair value of these short-term financial assets is not individually determined as the carrying amount is a reasonable approximation of fair value. Based on management's assessment of the ECL using the simplified approach, certain trade receivables were found to be impaired; hence, adequate amount of allowance for impairment have been recognized.

7. INVESTMENTS

7.1 Financial Assets at Fair Value Through Other Comprehensive Income

The Group has equity securities pertaining to its 33% equity ownership interest in the common stock of Sony Philippines, Inc. (SPI). This investment is related to the Joint Venture Agreement (JVA) executed in 1997 with Sony Corporation of Japan which has expired on May 8, 2005. On April 11, 2005, the Group received a formal notice of the expiry of the JVA. The Group and Sony Corporation have both agreed to pursue negotiations for an equitable settlement of all matters relating to the JVA and its expiration. The Group determined that the fair value of this investment is nil as of December 31, 2025, based on the absence of observable market transactions and recoverable economic benefits.

On the other hand, the fair values of the Group's investments in club shares amounting to P94.0 million, which represent proprietary membership club shares, as of December 31, 2025, have been determined based on quoted prices in less active markets due to lack of trading activities among its participants.

The recognized fair value gains are presented as items that will not be reclassified subsequently to profit or loss under Other Comprehensive Income in the consolidated statements of comprehensive income.

7.2 Investment in Bonds

In 2021, the Group invested in held-to-collect corporate bonds, classified, and measured at amortized cost, amounting to P20.0 million, which bear fixed interest rate of 4.34% per annum and will mature on October 12, 2027. The amount of investment is presented as Investment in Bonds in the consolidated statements of financial position. There were no additional investments made in 2025 and 2024.

Interest income generated from investment in bonds amounting to P0.2 million in both 2026 and 2025 are presented as part of Interest under Revenues section of the consolidated statements of income. The outstanding balance of such interest is presented as part of Interest receivable under Trade and Other Receivables in the consolidated statements of financial position (see Note 6).

The Group's investment in bonds, which are subject to credit risk exposure [see Note 28.2(e)], has been reviewed for impairment. Based on such review, the management determines that no impairment loss is needed to be recognized in 2026 and 2025 as the bonds were in good credit standing as of June 30, 2026 and December 31, 2025.

7.3 Investments in Associates

Investments in associates amounted to P29.6 million as of December 31, 2025. The details of these investments are presented below and on the succeeding pages.

(a) Investment in Fekon

Fekon is a private company incorporated and domiciled in the Philippines. Fekon's primary purpose is to engage in the business of manufacturing, selling, distributing, marketing, trading and assembling of all kinds of goods such as but not limited to motorcycles, e-bicycles, motor parts and products, electronic devices and other electronic merchandise.

Fekon's registered office address and principal place of business is located at Block 7, Lot 8B, San Simon Industries Park, San Isidro, San Simon, Pampanga.

In 2022, the Group made additional deposits amounting to P11.5 million in connection with Fekon's planned increase in authorized capital stock. No additional deposits were made in 2025 and 2024.

In May 2025, the Group's ownership interest in Fekon decreased from 44.0% to 30.8% as a result of the dilution of its shareholding following changes in Fekon's ownership structure. Despite the dilution, the Group retained significant influence over Fekon. Accordingly, the deposits are presented as Investment in an Associate in the consolidated statements of financial position.

As of December 31, 2025, Fekon had not yet completed the documentary requirements for its application with the Securities and Exchange Commission to increase its authorized capital stock.

In 2026, in view of Fekon's continuing operating losses and the uncertainty surrounding the completion of the capital increase, the Group has ceased making additional capital contributions to Fekon, while management continues to monitor developments and periodically reassess the recoverability of the remaining carrying amount of the investment.

Initially, the Group's investment is measured at cost.

The summarized unaudited financial information for Fekon is shown below.

<i>(Amounts in PHP)</i>	<u>2025</u>
Current assets	151,596,315
Non-current assets	<u>7,050,893</u>
Total assets	<u>158,647,208</u>
Current liabilities	33,566,153
Non-current liabilities	<u>2,805,983</u>
Total liabilities	<u>36,372,136</u>
Revenues	<u>127,435,860</u>
Net loss during the year	<u>10,327,249</u>

Due to the downturn in Fekon business prospects, the Group recognized impairment loss relative to its investment amounting to P10.0 million in 2025 which is presented as Impairment loss on investments in an associate under Operating Expenses.

(b) Investment in Starworld

In 2025, the Group disposed of a portion of its equity interest in Starworld, resulting in a reduction in ownership from 50% to 30% and the loss of control over the investee. Accordingly, Starworld ceased to be consolidated from the date control was lost and is accounted for as an investment in an associate thereafter (see Note 23.5).

The retained 30% interest as measured at fair value amounting to P1.6 million at the date control was lost and is presented as part of Investment in Associates in the consolidated statements of financial position as of December 31, 2025.

The Group's loss of control over Starworld occurred after the associate's financial year end; hence, no share in net profit was recognized by the Group for the year ended December 31, 2025. Accordingly, management has assessed that such is not significant to the 2025 consolidated financial statements.

In the first half of 2026, the Group recognized share in net profit of an associate amounting to P553,545 under equity method in the 2026 consolidated financial statements.

The summarized audited financial information for Starworld for the year ended October 31, 2025 is shown below.

<i>(Amounts in PHP)</i>	<u>2025</u>
Current assets	237,195,889
Non-current assets	<u>3,267,260</u>
Total assets	<u>240,463,149</u>
Current liabilities	213,287,826
Non-current liabilities	<u>1,658,421</u>
Total liabilities	<u>214,946,247</u>
Revenues	<u>-</u>
Net loss during the year	<u>15,361,020</u>

8. MERCHANDISE INVENTORIES AND SUPPLIES

Inventories at the end of 2026 and 2025 were stated at lower of cost or NRV. The details of inventories are shown below.

<i>(Amounts in PHP)</i>	<u>Note</u>	<u>2026</u>	<u>2025</u>
At cost:			
Merchandise inventories	17.1	127,207,613	61,593,643
Service parts, supplies and others		<u>30,692,292</u>	<u>28,421,184</u>
		<u>157,899,905</u>	<u>90,014,827</u>
At NRV:			
Merchandise inventories	17.1	163,730,443	188,495,718
Service parts, supplies and others		<u>-</u>	<u>-</u>
		<u>163,730,443</u>	<u>188,495,718</u>
Allowance for inventory obsolescence		<u>(25,977,951)</u>	<u>(50,790,191)</u>
		<u>137,752,492</u>	<u>137,705,527</u>
		<u>295,652,397</u>	<u>227,720,354</u>

The Group's inventories are primarily composed of appliances, professional tapes, equipment, spare parts and modular houses.

The movements in the allowance for inventory obsolescence are below.

<i>(Amounts in PHP)</i>	<u>2026</u>	<u>2025</u>
Balance at beginning of year	50,790,191	63,265,556
Impairment losses	731,976	2,211,782
Reversal of allowance for inventory obsolescence	<u>(25,544,216)</u>	<u>(14,687,147)</u>
	<u>25,977,951</u>	<u>50,790,191</u>

The Group recognizes impairment losses on inventories when their net realizable value is assessed to be lower than cost due to uncertainty over their recoverability. In 2026 and 2025, certain inventories that had been previously written down were subsequently sold, providing objective evidence that the conditions which gave rise to the impairment no longer existed. Accordingly, reversals of inventory impairment were recognized to the extent of the original write-downs. The net impairment provisions and reversals are included as an adjustment to cost of sales in the consolidated statements of income (see Notes 17.1 and 18).

The Group has no outstanding purchase commitment for the acquisition of merchandise inventories and supplies as of June 30, 2026 and December 31, 2025.

An analysis of the cost of merchandise inventories charged to operations is presented in Note 17.1.

9. REAL ESTATE INVENTORIES

This account is composed of:

<i>(Amount in PHP)</i>	<u>Notes</u>	<u>2026</u>	<u>2025</u>
Land and land development costs	9.1	26,386,874	26,386,874
Property development costs	9.2	<u>398,580,639</u>	<u>398,580,639</u>
		<u>424,967,513</u>	<u>424,967,513</u>

9.1 Land and Land Development Costs

Management believes that the carrying values of these assets are lower than their realizable values considering present market rates; thus, no valuation allowance has been recognized in the financial statements.

9.2 Property Development Costs

The Group, through ZTC, has initiated the planning and construction of the Tri Towers condominium building. Construction was started by ZTC in 2005. The construction of Tower 1 and Tower 2 were completed in 2008 and 2012, respectively, and while the construction of Tower 3 has not yet started, it has already incurred expenses for the planning phase as of June 30, 2026.

Property development costs, at the end of each reporting periods, represent condominium units for sale, office tower units, construction in progress of land and Tower 3, office tower and parking units for which the Group has been granted a permit to sell by the Housing and Land Use Regulatory Board of the Philippines.

Based on management's assessment, the related asset remained recoverable as of the end of the reporting periods (see Note 27.2).

10. LEASES

The Group is a lessee under non-cancellable operating leases covering certain office spaces and store branches. The lease for these office spaces and store branches has a term of one to five years. Generally, termination of lease contracts shall be communicated to the lessee by the lessor prior to the termination or expiration of the lease contract. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected in the consolidated statements of financial position as a right-of-use asset and a lease liability. Variable lease payments not based on an index or rate are excluded from the initial measurement of the lease liability and asset.

The Group classifies its right-of-use assets and lease liabilities as separate line items in the consolidated statements of financial position.

Leases generally restrict the use of the right-of-use assets to the Group, unless explicitly allowed for sublease. They are either non-cancellable or may only be terminated with a substantive fee. Some leases include options to purchase the underlying leased asset or extend the lease term. The Group is prohibited from selling or pledging the lease assets as collateral.

Under the lease agreements, the Group is responsible for maintaining the leased properties in good condition, ensuring they are returned in their original state at the lease end. Additionally, it must ensure the leased assets and cover related maintenance costs.

Refundable security deposits represent the lease deposits made for the lease of the Group's business spaces, both short and long-term lease agreements. Related security deposits for these leases amounted to P41.7 million and P39.6 million as of June 30, 2026 and December 31, 2025, respectively, and are presented as part of Other Current Assets and Other Non-current Assets in the consolidated statements of financial position (see Note 13). Refundable security deposits which are expected to be settled beyond one year after the end of the reporting period are classified as non-current assets.

10.1 Right-of-use Assets

The carrying amounts of the Group's right-of-use assets, which pertain to office spaces and store branches, as of June 30, 2026 and December 31, 2025, including the movements during the reporting period are shown below.

<i>(Amounts in PHP)</i>	<u>Note</u>	<u>2026</u>	<u>2025</u>
Balance at beginning of year		3,757,465	3,004,500
Additions			6,490,863
Amortization	18	(2,063,211)	(5,737,898)
Balance at end of year		<u>1,694,254</u>	<u>3,757,465</u>

10.2 Lease Liabilities

Lease liabilities are presented in the consolidated statements of financial position as of June 30, 2026 and December 31, 2025 as follows:

<i>(Amounts in PHP)</i>	<u>2026</u>	<u>2025</u>
Current	2,027,151	3,838,746
Non-current	-	60,232
	<u>2,027,151</u>	<u>3,898,978</u>

The movements in the lease liabilities recognized in the consolidated statements of financial position as of June 30, 2026 and December 31, 2025 are as follows:

<i>(Amounts in PHP)</i>	<u>Note</u>	<u>2026</u>	<u>2025</u>
Balance at beginning of year		3,898,978	3,907,873
Additional lease liabilities		-	6,435,863
Repayments of lease liabilities	10.4	(1,871,827)	(6,817,864)
Interest accretion	10.4	-	373,106
		<u>2,027,151</u>	<u>3,898,978</u>

The use of extension and termination options gives the Group added flexibility in the event it has identified more suitable premises in terms of cost and/or location or determined that it is advantageous to remain in a location beyond the original lease term. An option is only exercised when consistent with the Group's regional markets strategy and the economic benefits of exercising the option exceed the expected overall cost.

The table below describes the nature of the Group's leasing activities by type of right-of-use asset recognized in the consolidated statements of financial position.

	Number of right-of-use assets leased	Range of Remaining Term	Average remaining lease term	Number of leases with extension options	Number of leases with termination options
December 31, 2025					
Office space and store branches	7	3 months to 1.5 year	1 year	1	2

As of June 30, 2026 and December 31, 2025, the Group has no commitments for leases entered into which had not commenced.

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 June 30, 2026 and 2025, is allocated in the consolidated statements of income as follows:

<i>(Amounts in PHP)</i>	Notes	2026	2025
Cost of services	17.2	21,881,416	14,466,051
Cost of rental	17.3	1,955,909	108,600
General and administrative expenses		100,440	4,561,969
Selling and distribution cost		23,529,032	18,472,012
	18	47,466,797	37,608,632

10.4 Additional Profit or Loss and Cash Flow Information

The total cash outflow in respect of leases, including interest, amounted to P1.9 million, P1.7 million in 2026 and 2025, respectively. Interest expense in relation to lease liabilities is presented as part of Finance costs under Other Income (Charges) in the consolidated statements of income (see Note 20.1).

11. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation, amortization and impairment losses of property and equipment at the beginning and end of 2026 and 2025 are shown below.

<i>(Amounts in PHP)</i>	Land	Buildings and Improvements	Machinery and Equipment	Furniture, Fixtures, and Office Equipment	Transportation Equipment	Test, Communication And Other Equipment	Computer System	Leasehold Improvement	Tools and Equipment	Construction in Progress	Total
June 30, 2026											
Cost	1,278,354,682	417,174,069	224,020,041	314,124,721	254,895,374	46,207,460	93,261,765	155,889,228	112,393,275	50,858,093	2,947,178,709
Accumulated depreciation and amortization	-	(280,344,399)	(195,474,885)	(278,209,561)	(219,283,460)	(38,456,801)	(82,403,050)	(140,396,887)	(94,463,501)	14,346,250	1,314,686,294
Accumulated impairment losses	-	(35,000,000)	-	-	-	-	-	-	-	(14,346,250)	49,346,250
Net carrying amount	<u>1,278,354,682</u>	<u>101,829,670</u>	<u>28,545,156</u>	<u>35,915,160</u>	<u>35,611,914</u>	<u>7,750,659</u>	<u>10,858,715</u>	<u>15,492,341</u>	<u>17,929,774</u>	<u>50,858,093</u>	<u>1,583,146,164</u>
December 31, 2025											
Cost	1,278,354,682	423,521,868	210,173,831	352,356,378	333,353,015	33,362,105	88,437,420	131,797,729	121,861,081	57,622,502	3,030,840,611
Accumulated depreciation and amortization	-	(268,867,190)	(190,757,418)	(320,715,014)	(284,964,049)	(24,041,808)	(78,628,859)	(119,363,362)	(101,367,110)	14,346,250	(1,374,358,560)
Accumulated impairment losses	-	(35,000,000)	-	-	-	-	-	-	-	(14,346,250)	(49,346,250)
Net carrying amount	<u>1,278,354,682</u>	<u>119,654,678</u>	<u>19,416,413</u>	<u>31,641,364</u>	<u>48,388,966</u>	<u>9,320,297</u>	<u>9,808,561</u>	<u>12,434,367</u>	<u>20,493,971</u>	<u>57,622,502</u>	<u>1,607,135,801</u>

Construction in progress pertains to the accumulation of costs incurred on building improvements being constructed in various properties of the Group. There were constructions completed in 2025. As a result, completed constructions were reclassified to specific items of property and equipment. In 2026 and 2025 no borrowing costs were capitalized.

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

<i>(Amounts in PHP)</i>	<i>Notes</i>	2026	2025
Cost of services	17.2	17,354,634	18,476,746
Cost of rentals	17.3	13,860,603	10,476,324
General and administrative expenses		12,473,419	10,406,974
Selling and distribution cost		3,734,825	2,652,092
	18	<u>47,423,481</u>	<u>42,012,136</u>

As of June 30, 2026 and December 31, 2025, none of the Group's property and equipment were held as collateral for loans. Further, no impairment losses were recognized in 2026 and 2025 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 June 30, 2026 and December 31, 2025.

12. INVESTMENT PROPERTIES

The Group's investment properties, accounted for under the fair value method, consist mainly of land and improvements, and buildings and improvements that are held under operating lease agreements. These properties earn rental income amounting to P318 million and P305 million in 2026 and 2025 respectively, and are presented as Rentals under Revenues in the consolidated statements of income. The Group also incurred direct costs such as real property taxes, depreciation and amortization and utilities, which are presented as part of Cost of Rentals in the consolidated statements of income (see Note 17.3).

The fair values of the Group's investment properties as of December 31, 2025 were based on appraisal reports issued in May 2026. 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 2026 and 2025 as presented in the consolidated statements of financial position are summarized as follows:

<i>(Amounts in PHP)</i>	Land and Improvements	Building and Improvement	Construction in Progress	Total
2026:				
Balance at beginning of year	5,905,175,514	2,408,222,009	70,669,207	8,384,066,730
Additions	176,640,000	358,676,008	13,310,204	548,626,212
Fair value gains (losses) – net (see Note 19)				
Reclassification	-	2,983,036	(2,983,036)	-
Balance at end of year	<u>6,081,815,514</u>	<u>2,769,881,053</u>	<u>80,996,375</u>	<u>8,932,692,942</u>
2025:				
Balance at beginning of year	5,601,997,151	2,353,512,353	86,171,773	8,041,681,277
Additions	-	138,496,618	33,090,577	171,587,195
Fair value gains (losses) – net (see Note 19)	303,030,663	(132,232,405)	-	170,798,258
Reclassification	<u>147,700</u>	<u>48,445,443</u>	<u>(48,593,143)</u>	<u>-</u>
Balance at end of the year	<u>5,905,175,714</u>	<u>2,408,222,009</u>	<u>70,669,207</u>	<u>8,384,066,730</u>

In both 2026 and 2025, the Group completed the construction of certain buildings, building improvements and land improvements.

In both 2026 and 2025, the Group received payment from an association managing an industrial park as compensation for damages to Group's property amounting to P2.6 million, which is presented under Other Operating Income in the consolidated statements of income (see Note 19).

Certain investment property is used as collateral on loan payable as of June 30, 2026 and December 31, 2025 (see Note 14).

13. OTHER ASSETS

The composition of these accounts is shown below.

<i>(Amounts in PHP)</i>	Notes	2026	2025
Current:			
Input VAT – net	13.3	329,149,923	327,634,680
Creditable withholding taxes		146,782,205	138,522,165
Refundable deposits	10	35,087,574	32,938,403
Prepayments	13.3	16,451,619	34,194,209
Deferred input VAT	13.3	7,732,617	5,626,844
Deferred costs	13.3	59,427,516	1,019,495
Others		4,425,041	2,414,742
		<u>599,056,495</u>	<u>542,350,538</u>

Non-current:			
Cash bond	13.2	15,635,346	15,635,346
Refundable deposits	10	6,615,252	6,612,370
Intangible assets – net	13.1	4,002,486	2,397,599
Others	13.3	6,135,698	6,430,437
		<u>32,388,782</u>	<u>31,075,752</u>
		<u>631,445,277</u>	<u>542,426,290</u>

13.1 Intangible Assets

Intangible assets pertain to computer software licenses, which are accounted for under the cost model. The gross carrying amounts and accumulated amortization and impairment of intangible assets as of June 30, 2026 and December 31, 2025 is shown below.

Intangible assets are subject to annual impairment testing whenever there is an indication of impairment. Certain non-proprietary club shares were assessed to be impaired as determined by the management; hence, an adequate amount of allowance for impairment has been recognized in prior years. There were no impairment losses recognized in 2026 as the recoverable amount of intangible assets determined by management is higher than the carrying value.

Amortization charges are presented as part of Depreciation and amortization under General and Administrative Expenses in the consolidated statements of income (see Note 18).

As of December 31, 2025, the cost of the Group's fully amortized intangible assets amounted to P2.8 million.

There are no intangible assets that have been pledged as security for any liabilities. Further, there were no other contractual commitments entered into in 2025 related particularly for intangible assets.

13.2 Cash Bond

Cash bond represents payments made by the Group for its application for conversion of land (see Note 12). It also includes the deposits made with the Bureau of Customs for taxes and duties related to its importations.

As of December 31, 2025, the total amount is currently demandable; however, the Group does not expect to refund the cash bond within 12 months from the end of the reporting period.

13.3 Others

In 2025, certain input VAT of the Group was assessed by management to be impaired; hence, adequate amounts of allowance for impairment have been recognized.

Creditable withholding taxes (CWT) represent income taxes withheld at source and are creditable against future income tax payable. Management assessed the recoverability of CWT based on expected future taxable income and determined that the balance is fully recoverable as of June 30, 2026 and December 31, 2025. During the year, the Group

has utilized the portion of the CWT against its income tax payable. Accordingly, no impairment was recognized in the consolidated statements of financial position.

Prepayments pertain to prepaid insurance, prepaid taxes, prepaid rent, and prepayments for professional fees, import charges and others.

Deposits to suppliers represent the refundable amount paid by the Group to its suppliers for the distribution utilities provided to the Group. Deferred costs represent the cost of inventories which have not been charged to cost of sales pending the completion of the Group's certain projects.

Other current assets include deferred installation costs which pertain to the costs paid by the Group to its contractors for the installation of modular houses. Upon completion of installation, the cost is transferred to cost of sales. On the other hand, other non-current assets mostly pertain to land properties held by SMC which are subject to transfer to certain individuals under R.A. No. 6657, *Comprehensive Agrarian Reform Law of 1988*.

14. INTEREST-BEARING LOAN

The Group obtained long-term loans from a local bank to finance the construction of warehouse facility in Calamba, Laguna. The outstanding loans have a term of ten years with a two-year grace period. The loan bears interest ranging from 5.22% to 5.89% per annum in 2026 and 5.95% to 6.60% per annum in 2025 subject to quarterly interest rate repricing.

Pursuant to the terms of these loan agreements, the Group is required to comply with certain financial covenants. The Group is required to maintain a maximum debt-to-equity ratio of 3.00:1.00 starting December 31, 2023, and a minimum debt-service coverage ratio of 1.25:1.00 commencing January 1, 2026. As of June 30, 2026 and December 31, 2025, the Group has been compliant with the financial covenants.

The balances are presented in the consolidated statements of financial position as:

<i>(Amounts in PHP)</i>	2026	2025
Current	52,500,000	39,375,000
Non-current	802,812,500	835,625,000
	<u>855,312,500</u>	<u>875,000,000</u>

14.1 Bank Loans

Presented on the succeeding page are the details of the Group's bank loans.

Dates Available	Maturity Dates	Original Grace Period	Original Interest Rates	Outstanding balance (Amounts in PHP)
Availed in 2023 – December 29, 2023	December 29, 2033	2 years	6.25%	102,637,500
Availed in 2024:				
February 8, 2024	December 29, 2033	1.9 years	6.75%	43,987,500
March 13, 2024	December 29, 2033	1.8 years	6.85%	39,100,000
April 15, 2024	December 29, 2033	1.8 years	6.85%	68,425,000
June 27, 2024	December 29, 2033	1.6 years	6.85%	234,600,000
October 27, 2024	December 29, 2033	1.3 years	6.25%	146,625,000
December 13, 2024	December 29, 2033	1.1 years	6.56%	97,750,000
December 19, 2024	December 29, 2033	1.1 years	6.58%	122,187,500

The loan is secured by a real estate mortgage for a total carrying amount of P1.2 billion on real estate property recorded as part of Investment Properties in the consolidated statements of financial position (see Note 12) and a suretyship agreement with one subsidiary.

15. TRADE AND OTHER PAYABLES

This account consists of:

(Amounts in PHP)	Notes	2026	2025
Trade payables		282,116,981	294,046,341
Non-trade payables		219,809,309	43,757,486
Refundable deposits	16, 25.1	41,010,112	40,318,381
Accrued expenses		25,548,099	31,257,713
Unearned rentals	16	17,658,083	18,330,697
Output VAT		17,627,030	13,929,124
Deferred output VAT		5,917,650	8,567,667
Advances from customers		11,543,174	8,254,228
Withholding taxes payable		13,758,962	6,808,075
Rentals payable		4,278,522	4,278,523
Reserve for warranty costs		3,491,362	3,497,615
Retention payable		1,153,719	299,540
Other payables		1,978,975	21,311,401
		645,891,978	494,656,791

Trade payables mainly represent obligations to various suppliers for the acquisition of goods, materials and supplies necessary for the Group's operations and productions.

Non-trade payables are the obligations arising from transactions that are not within the ordinary course of business which includes dividends to stockholders, lessees' deposits for electricity, communication costs, gasoline expenses, professional fees and others.

The Group receives refundable deposits from various lessees. The long-term portion of the refundable deposits from various tenants is shown as a separate line item in the consolidated statements of financial position (see Note 16). Refundable deposits are remeasured at amortized cost using effective interest rates ranging from 5.45% to 6.53% in 2025 at the inception of the lease term.

Accrued expenses include amounts charged for outside services, salaries and other incidental operating expenses of the Group which are expected to be settled within the next reporting period.

Unearned rentals represent advance payments received from lessees.

Advances from customers pertain to the integration services in progress and customer deposit on sale of goods paid in advance to the Group.

Other payables primarily consist of payroll-related liabilities and due to government agencies for unpaid contributions for social security and other benefits of the Group's employees.

Management considers the carrying amounts of trade and other payables recognized in the consolidated statements of financial position to be reasonable approximation of their fair values.

16. REFUNDABLE DEPOSITS

The Group has refundable deposits received from tenants in connection with lease agreements. These refundable deposits are remeasured at amortized cost using the effective interest ranging from 5.45% to 6.53% at the inception of the lease terms.

As of June 30, 2026 and December 31, 2025, the outstanding balance of these refundable deposits amounted to P79 million and P63.3 million. The current portion is presented under Trade and Other Payables, while the non-current portion is presented under Refundable Deposits 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.

<i>(Amounts in PHP)</i>	Notes	2026	2025
Merchandise inventories at beginning of year	8	250,089,361	386,424,801
Net purchases of merchandise inventories during the year	18	617,746,916	480,477,037
Goods available for sale		867,836,277	866,901,838
Merchandise inventories at end of year	8	(290,938,062)	(341,804,477)
Net provision (reversal) of allowance for inventory obsolescence	8	(24,812,240)	(206,761)
	18	552,085,975	524,890,600

17.2 Cost of Services

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

<i>(Amounts in PHP)</i>	Notes	2026	2025
Subcontracting services		98,323,192	79,254,365
Materials, supplies, and other consumables		32,604,257	37,352,633
Salaries and employee benefits	21.1	35,707,511	33,656,353
Service fees		12,868,394	33,132,419
Transportation and travel		28,821,907	24,127,177
Outside services		17,817,048	14,992,882
Rentals	10.3	21,881,416	14,466,051
Depreciation and amortization	10.1, 11	17,354,634	18,476,746
Food and beverage		5,138,678	4,199,535
Repairs and maintenance		5,445,823	8,929,059
Communication, light and water		4,824,234	4,318,559
Insurance		1,835,260	2,739,430
Integration		3,867,454	8,157,004
Equipment Cost		3,093,225	40,622,559
Taxes and licenses		275,347	117,891
Others		3,851,293	4,262,414
	18	293,709,673	328,805,077

17.3 Cost of Rentals

The details of this account are as follows:

<i>(Amounts in PHP)</i>	Notes	2026	2025
Taxes and licenses		39,424,543	35,930,355
Depreciation and amortization	11	13,860,603	10,476,324
Utilities and communication		4,957,295	10,001,829
Outside services		6,918,036	5,855,029
Repairs and maintenance		3,633,760	4,949,514
Association dues		1,634,811	1,532,875
Salaries and employee benefits	21.1	1,009,309	722,215
Equipment Cost		5,048,051	-
Rentals	10.3	1,955,909	108,600
Others		3,756,825	1,856,617
	18	82,199,142	71,433,358

Others primarily consist of franchise fees and insurance expenses.

18. OPERATING EXPENSES BY NATURE

The details of operating expenses by nature are shown below.

<i>(Amounts in PHP)</i>	Notes	2026	2025
Net purchases of merchandise inventories	17.1, 25.1	617,746,916	480,477,037
Salaries and employee benefits	21.1, 21.2, 25.5	175,146,696	160,118,008
Subcontracting services		113,883,586	90,202,488
Changes in merchandise, finished goods and work-in-process inventories	17.1	(40,848,701)	44,620,324
Net provision (reversal) for Inventory obsolescence		(24,812,240)	(206,761)
Depreciation and amortization	10.1, 11, 13.1	49,486,693	43,627,004
Utilities and communication		49,129,463	48,623,285
Taxes and licenses	14	69,492,601	63,206,933
Rentals	10.3	47,466,797	37,608,631
Materials, supplies and other consumables		36,524,201	41,013,516
Outside services		44,360,891	37,643,156
Transportation and travel		38,068,205	35,181,231
Service fees		12,868,394	33,132,419
Repairs and maintenance		16,603,894	20,630,979
Selling and bank charges		16,761,348	13,509,513
Food and beverage		5,138,678	4,199,535
Representation and entertainment		3,922,661	4,814,572
Installation cost		1,128,537	357,619
Insurance		5,671,791	6,064,340
Integration		3,867,454	8,157,004
Advertising and promotions		622,512	1,610,786
Warranty claims		36,482	7,214
Equipment Cost		8,141,276	40,622,559
Reversal of impairment loss on trade and other receivables - net		1,141,559	(3,945,030)
Others		18,784,871	14,837,286
		<u>1,270,334,565</u>	<u>1,226,113,648</u>

These expenses are classified as follows:

<i>(Amounts in PHP)</i>	Notes	2026	2025
Cost of sales	17.1	552,085,975	524,890,600
Cost of services	17.2	293,709,673	328,805,077
General and administrative expenses		238,528,043	216,496,546
Selling and distribution costs		103,811,732	84,488,067
Cost of rentals	17.3	82,199,142	71,433,358
Cost of real estate sales	17.4	-	-
		<u>1,270,334,565</u>	<u>1,226,113,648</u>

19. OTHER OPERATING INCOME

The breakdown of this account is as follows:

<i>(Amounts in PHP)</i>	<u>Notes</u>	<u>2026</u>	<u>2025</u>
Income from utilities charged to tenants		12,409,234	14,756,582
Common usage service area	25.3	16,444,360	14,618,587
Compensation for damages	12	2,678,571	2,678,571
Forfeited customer deposit		433,867	752,004
Service income from bank guarantee		3,352,676	3,352,676
Certification Services		-	76,575,376
Supplier supports		4,132,216	2,563,896
Miscellaneous – net		1,030,683	3,054,279
		<u>40,481,607</u>	<u>118,351,971</u>

Certification services represent fees charged to lessees for a distinct service relating to the coordination and completion of infrastructure enhancements necessary to obtain Leadership in Energy and Environment Design (LEED) certification for the lease premises. Management has assessed that the LEED certification service is separately identifiable from the lease component, as it does not affect the lessee's ability to obtain control of or use the underlying leased assets and provides an additional benefit to the lessee independent of the lease. Accordingly, the certification service is accounted for as a separate performance obligation under PFRS 15. Revenue is recognized at a point in time upon completion of the certification process, when control of the service is transferred to the lessee.

20. OTHER INCOME (CHARGES)

20.1 Finance Costs

This account consists of the following:

<i>(Amounts in PHP)</i>	<u>Notes</u>	<u>2026</u>	<u>2025</u>
Interest expense on:			
Interest-bearing loans	14	24,462,457	27,587,632
Lease liability	10.4	77,662	109,737
Foreign currency exchange losses		310,358	1,028,376
Miscellaneous		7,026	83,007
		<u>24,857,503</u>	<u>28,808,752</u>

20.2 Finance Income

This account consists of the following:

<i>(Amounts in PHP)</i>	<u>Notes</u>	<u>2026</u>	<u>2025</u>
Interest income from:			
Cash and cash equivalents and short-term placements	5	30,325,964	39,474,807
Increase in cash surrender value of investment in life insurance	6.4	9,034,320	8,050,379
Foreign currency exchange gains		736,571	371,568
Others		0	744,648
		<u>40,096,855</u>	<u>48,641,402</u>

20.3 Other Gains

The breakdown of this account is as follows:

<i>(Amounts in PHP)</i>	<u>Notes</u>	<u>2026</u>	<u>2025</u>
Proceeds from insurance		6,730,720	6,258,000
Gain on sale of property and equipment	11	1,417,249	969,643
Service income from bank guarantee		-	-
Gain on sale of scraps		855,000	
Others		2,142,574	901,506
		<u>11,145,543</u>	<u>8,129,149</u>

Others consist primarily of customers' support and internet charges billed to tenants.

21. EMPLOYEE BENEFITS

21.1 Salaries and Employee Benefits Expense

Expenses recognized for salaries and employee benefits are summarized below.

<i>(Amounts in PHP)</i>	<u>Notes</u>	<u>2026</u>	<u>2025</u>
Short-term benefits		175,146,696	160,118,008
	18	<u>175,146,696</u>	<u>160,118,008</u>

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

<i>(Amounts in PHP)</i>	Notes	2026	2025
General and administrative expenses		118,662,511	106,521,494
Cost of services	17.2	35,707,511	33,656,353
Selling and distribution costs		19,767,365	19,217,946
Cost of rentals	17.3	1,009,309	722,215
	18	175,146,696	160,118,008

21.2 Post-employment Benefits

(a) Characteristics of the Defined Benefit Plan

The Group maintains a funded, tax-qualified, non-contributory post-employment benefit plan that is being administered by an investment manager that is legally separated from the Group. The investment manager manages the fund in coordination with the Group's management who acts in the best interest of the plan assets and is responsible for setting the investment policies. The post-employment plan covers all regular full-time employees.

The normal retirement age is 60 with a minimum of five years of credited service. The Group's post-employment benefit plan provides retirement benefits ranging from 100% to 115% of the final monthly covered compensation (average monthly basic salary during the last 12 months of credited service) for every year of credited service.

(b) Explanation of Amounts Presented in the Consolidated Financial Statements

Actuarial valuations are made annually to update the retirement benefit costs and the amount of contributions. All amounts presented on the succeeding pages are based on the actuarial valuation reports obtained from an independent actuary in 2025.

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

<i>(Amounts in PHP)</i>	2025
Fair value of plan assets	269,352,983
Present value of obligation	(143,239,403)
Changes in the effect of asset ceiling	(67,550,430)
	58,563,150

On the other hand, the retirement benefit obligation recognized by certain subsidiaries, which does not have an established post-employment benefit plan, amounted to P32.7 million as of December 31, 2025.

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

<i>(Amounts in PHP)</i>	<u>2025</u>
Balance at beginning of year	265,661,419
Interest income	15,606,731
Benefits paid	(13,103,200)
Gain on plan assets (excluding amounts included in net interest)	1,710,844
Receivable from plan assets	<u>(522,811)</u>
Balance at end of year	<u>269,352,983</u>

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

<i>(Amounts in PHP)</i>	<u>2025</u>
Balance at beginning of year	164,241,886
Current service costs	12,333,329
Interest costs	9,602,285
Remeasurements –	
Actuarial gains (losses) arising from:	
Experience adjustments	32,033,777
Changes in demographic assumptions	(15,740,451)
Changes in financial assumptions	(12,473,709)
Benefits paid	(13,103,200)
Gain on settlement of retirement benefit liability	<u>(963,981)</u>
Balance at end of year	<u>175,929,936</u>

The significant actuarial gains or losses in 2025 arising from the financial assumptions pertain to the effects of differences between the discount rates and salary projection rates used while the actuarial gains arising from experience adjustments pertain 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 25.6):

<i>(Amounts in PHP)</i>	<u>2025</u>
Debt securities:	
Philippines government bonds	242,126,520
Unit investment trust fund (UITF)	14,248,773
Corporate bonds	6,508,210
Mutual funds	-
Others	<u>6,469,480</u>
	<u>269,352,983</u>

The fair values of the debt securities are determined based on quoted market prices in active markets (classified as Level 1 of the fair value hierarchy). UITF is classified as Level 2 while other assets are classified as Level 3 in the fair value hierarchy.

The plan assets earned a net return of P17.3 million in 2025.

Plan assets do not comprise any of the Group's own financial instruments or any of its assets occupied and/or used in its operations.

The components of amounts of post-employment benefit expense recognized in the consolidated statements of income and consolidated statements of comprehensive income in respect of the post-employment defined benefit plan are shown below.

<i>(Amounts in PHP)</i>	<u>Notes</u>	<u>2025</u>
<i>Reported in consolidated statements of income:</i>		
Current service cost	21.1	12,333,329
Net interest income	20.3	<u>(6,004,446)</u>
		<u>6,328,883</u>
<i>Reported in consolidated statements of comprehensive income (loss):</i>		
Changes in the effect of asset ceiling		(67,550,430)
Actuarial gains (losses) arising from changes in:		
Experience adjustments		(32,033,777)
Financial assumptions		12,473,709
Demographic assumption		15,740,451
Remeasurements on plan assets (excluding amounts included in net interest)		<u>1,710,844</u>
	23.3	<u>(69,659,203)</u>

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

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

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

	2025
Discount rates	6.30% - 6.49%
Salary increase rate	7.00%

Assumptions regarding future mortality are based on published statistics and mortality tables. The average remaining working lives of employees before retirement at the age of 60 ranges from 14.0 to 25.0 years for males and 12.0 to 25.0 years for females. These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of a zero-coupon government bond with terms to maturity approximating to the terms of the post-employment obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) *Risks Associated with the Retirement Plan*

The plan exposes the Group to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

(i) *Investment and Interest Risks*

The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bond will increase the plan obligation. However, this will be partially offset by an increase in the return on the plan's investments in debt securities and if the return on plan asset falls below this rate, it will create a deficit in the plan. Currently, the plan is generally concentrated on investment in debt securities, although the Group also invests in UITF.

(ii) *Longevity and Salary Risks*

The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment, and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

(iii) *Inflation Risk*

A significant proportion of the defined benefit obligation is linked to inflation. The increase in inflation will increase the Group's liability. A portion of the plan assets are inflation-linked debt securities which will mitigate some of the effects of inflation.

(d) *Other Information*

The information on the sensitivity analysis for certain significant actuarial assumptions, the Group's asset-liability matching strategy, and the timing and uncertainty of future cash flows related to the retirement plan are described below and on the succeeding pages.

(i) *Sensitivity Analysis*

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the defined benefit asset as of December 31, 2025:

(Amounts in PHP)	Impact on Post-Employment Defined Benefit Obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
<u>December 31, 2025</u>			
Discount rate	+/- 0.5%	(16,573,190)	16,636,248
Salary increase rate	+/- 1.0%	17,637,168	(15,387,290)

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

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

(ii) *Asset-liability Matching Strategies*

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

In view of this, investments are made in reasonably diversified portfolios, such that the failure of any single investment would not have a material impact on the overall level of assets. A large portion of the plan assets as of December 31, 2025 are generally concentrated in government debt securities, although the Group also invests in UITF for liquidity purposes.

(iii) *Funding Arrangements and Expected Contributions*

The plan is currently overfunded by P93.4 million in 2025 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, 2025.

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 is presented below:

<i>(Amounts in PHP)</i>	2025
Within one year	16,206,769
More than one year to 5 years	49,887,219
More than 5 years to 10 years	120,470,320
	<u>186,564,308</u>

The weighted average duration of the defined benefit obligation at the end of the reporting period is 11.7 years.

22. TAXES

22.1 Registration with Philippine Economic Zone Authority (PEZA)

SMC was registered with the PEZA as an Economic Zone Facilities Enterprise (EZFE) at the Laguna International Industrial Park – Special Economic Zone (LIIP – SEZ). As an EZFE, SMC shall lease its building in LIIP – SEZ to PEZA-registered export enterprises located therein. SMC is subject to five percent (5%) tax on gross income earned on such facilities in lieu of all national and local taxes.

On May 2, 2024, the Board of Directors (BOD) approved the application for the cancellation of SMC's registration with the Philippine Economic Zone Authority (PEZA) as an Ecozone Facilities Enterprise (EZFE). The application was subsequently approved by PEZA on June 28, 2024 pursuant to PEZA Resolution No. 24-173, subject to the submission of the required documents and clearances. Upon completion of these requirements, the cancellation of SMC's PEZA registration became effective, and SMC ceased to be entitled to the fiscal incentives granted under its previous PEZA registration, in accordance with applicable laws, rules, and regulations.

On March 17, 2026, SMC was registered with PEZA as an EZFE for its building leasing operations at the Carmelray Industrial Park 1 – Special Economic Zone (CIP1-SEZ). As an EZFE, SMC commenced leasing its building located within CIP1-SEZ to a PEZA-registered export enterprise on May 1, 2026. Pursuant to its new PEZA registration, SMC is entitled to the following fiscal incentives: (a) an Income Tax Holiday (ITH) for five (5) years; (b) eligibility for the Special Corporate Income Tax (SCIT) incentive for ten (10) years thereafter; and (c) duty exemption, VAT exemption, and VAT zero-rating on transactions directly and exclusively attributable to its registered project, in accordance with applicable laws, rules, and regulations.

On July 1, 1998, PEZA approved Starworld's registration as an Ecozone developer and operator of the CPIP – Special Economic Zone located at Bo. Parian, Calamba City. Under the terms of the registration and subject to certain requirements, Starworld shall be exempt from all national and local taxes and instead will be subject to the 5% preferential tax rate on gross income after allowable deductions.

22.2 Current and Deferred Taxes

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

<i>(Amounts in PHP)</i>	<u>2026</u>	<u>2025</u>
<i>Reported in consolidated statements of income</i>		
Current tax expense:		
Regular corporate income tax (RCIT)		
at 25% / 20%	42,888,957	42,028,289
Preferential tax at 5%	115,350	
Final tax at 20% / 15%	11,988,534	14,790,233
Minimum corporate income tax (MCIT)		
at 2%	3,427,457	952,590
	<u>58,420,298</u>	<u>57,771,112</u>
Application of excess MCIT		
Deferred tax expense arising from origination and reversal of temporary differences	<u>20,757,220</u>	<u>-</u>
	<u>79,177,518</u>	<u>57,771,112</u>

The net deferred tax assets of the Parent company and certain subsidiaries relate to the following:

<i>(Amounts in PHP)</i>	<u>2026</u>	<u>2025</u>
Deferred tax assets:		
Allowance for inventory		
Obsolescence	6,974,743	6,974,743
Allowance for impairment on trade and other receivables	5,061,931	5,061,931
Provision for warranty claims	874,404	874,404
Accrued expenses	585,352	585,352
Retirement benefit obligation	1,266,378	1,266,378
Deferred rental income	44,724	44,724
Deferred income	<u>-</u>	<u>-</u>
	<u>14,807,532</u>	<u>14,807,532</u>
Deferred tax liabilities:		
Unrealized foreign currency loss	(1,695,451)	(1,695,451)
PFRS 16 adoption	(120,314)	(120,314)
	<u>(1,815,765)</u>	<u>(1,815,765)</u>
	<u>12,991,767</u>	<u>12,991,767</u>

The net deferred tax liabilities of the Parent Company and certain subsidiaries relate to the following:

<i>(Amounts in PHP)</i>	<u>2026</u>	<u>2025</u>
Deferred tax assets:		
Allowance for impairment on trade and other receivables	4,136,245	4,136,245
Unearned rent income	3,896,267	3,896,267
Impairment losses on property and equipment	3,586,563	3,586,563
Allowance for inventory		
Obsolescence	968,353	968,353
Excess MCIT over RCIT	725,348	725,348
Impairment losses on trade and other receivables	269,173	269,173
Inventory losses due to obsolescence	238,418	238,418
Deferred rent income	68,663	68,663
Unamortized past service costs	51,432	51,432
NOLCO	14,450	14,450
Unrealized foreign currency loss (gain)	(3,579)	(3,579)
Accumulated amortization on right-of-use assets	-	-
Impairment losses on input VAT	-	-
<i>Balance carried forward</i>	<u>13,951,333</u>	<u>13,951,333</u>
Deferred tax liabilities:		
Fair value gains on investment properties – net	(948,896,036)	(948,896,036)
Accumulated depreciation on investment properties	(225,084,638)	(210,724,255)
Accrued rent income	(51,581,817)	(45,184,980)
Excess of fair value over cost of property	(12,211,529)	(12,211,529)
Post-employment benefit asset	(9,738,910)	(9,738,910)
Unrealized foreign currency gains	(3,605)	(3,605)
Amortization of lease liabilities	-	-
PFRS 16	-	-
	<u>(1,247,516,535)</u>	<u>(1,226,759,315)</u>
Deferred tax liabilities – net	<u>(1,233,565,202)</u>	<u>(1,212,807,982)</u>

Presented below are the details of NOLCO, which can be claimed as deductions from future taxable profit within three to five years from the year the tax loss was incurred. Specifically, NOLCO incurred in 2021 and 2020 can be claimed as a deduction from the gross income until 2026 and 2025, respectively, in accordance with R.A. No. 11494, *Bayanihan to Recover as One Act*. In 2022, the NOLCO carry-over period is reverted to three years from the year the tax loss was incurred.

Year	Amount	Applied Amount	Expired Amount	Remaining Balance	Valid
2025	71,551,697	-	-	71,551,697	2028
2024	66,488,289	-	-	66,488,289	2027
2023	58,202,069	(30,956,074)	-	27,245,995	2026
2022	30,654,231	-	(30,654,231)	-	2025
2021	138,523,393	(3,426,904)	-	135,096,489	2026
2020	166,054,076	(19,958,639)	(146,095,437)	-	2025
	531,473,755	(54,341,617)	(176,749,668)	300,382,470	

The Group is subject to MCIT which is computed at 2% in 2026 and 2025 of gross income, as defined under the tax regulations or RCIT, whichever is higher. The details of the Group's MCIT are presented below (amounts in PHP).

Year	Amount	Applied Amount	Expired Amount	Remaining Balance	Valid
2025	853,868	-	-	853,868	2028
2024	964,952	-	-	964,952	2027
2023	1,500,636	(234,946)	-	1,265,690	2026
2022	612,193	(612,193)	-	-	2025
	3,931,649	(847,139)	-	3,084,510	

The Group did not recognize the deferred tax assets on NOLCO, MCIT and other deductible temporary differences of certain subsidiaries as management has assessed that those subsidiaries may not be able to realize their related tax benefits within the prescribed availment period. The NOLCO, MCIT and other deductible temporary differences as of December 31 for which the related deferred tax assets have not been recognized by certain entities in the Group are shown below.

(Amounts in PHP)	2025	
	Amount	Tax Effect
NOLCO	153,344,700	38,336,175
Allowance for inventory obsolescence	41,855,589	10,463,897
Retirement benefit obligation	1,551,422	387,855
Unamortized past service cost	1,076,239	269,060
MCIT	912,367	912,367
Allowance for impairment of intangible assets	272,127	68,032
Unrealized foreign currency gains – net	167	42
	199,012,611	50,437,428

In 2026 and 2025, the Group opted to use itemized deductions in computing for its income tax due, except for certain subsidiaries which still opted to claim OSD in the current year.

23. EQUITY

23.1 Capital Stock

The Parent Company has a total authorized capital stock of P5.0 billion divided into 5,000,000,000 shares with P1 par value.

On June 18, 1996, the Commission issued an Order approving the Registration Statement covering the securities which comprised the Parent Company's entire authorized capital stock. On September 4, 1996, the Parent Company's shares were listed in the PSE and the trading of offer shares commenced.

The Parent Company offered to the public 665,000,000 shares at an offer price of P5.85 per share. The offer shares consist of 524,475,000 primary shares (new shares) and 140,525,000 secondary shares (existing shares).

As of June 30, 2026 and December 31, 2025, the Parent Company has issued shares of 2,030,975,000 (with P1 par value), of which, 468,787,704 are held by the public. There are 4,187 and 4,193 holders of the listed shares which closed at P1.40 and P1.27 per share as of the last trading days in 2026 and 2025, respectively.

23.2 Retained Earnings

The BOD approved the declaration of cash dividends in 2026 and 2025 as follows:

Date of Declaration	Stockholders of Record as of	No. of Shares Outstanding	Amounts in PHP	
			Amount per Share	Total
June 25, 2026	July 15, 2026	1,821,542,000	0.10	182,154,200
June 26, 2025	July 15, 2025	1,821,542,000	0.10	182,154,200

The dividends were paid within the year of declaration and approval.

Retained earnings is restricted to the amount of P115.6 million as of June 30, 2026 and December 31, 2025, equivalent to the cost of 209,433,000 shares held in treasury.

23.3 Revaluation Reserves

The components of this account and its movements are as follows:

(Amounts in PHP)	Notes	2026	2025
Cumulative translation adjustments:			
Balance at beginning of year		161,289,723	182,941,686
Currency exchange differences on translating financial statements of foreign operations		30,318,230	(17,353,514)
Balance at end of year		191,607,953	165,588,172

23.4 Subsidiary with Material Non-controlling Interest

Noncontrolling interests (NCI) pertain to the equity ownership of minority stockholders in certain subsidiaries. In 2025, SMC disposed its shares of stock of Starworld, resulting in the Group's reduction of ownership interest from 50% to 30% and loss of control. Accordingly, the retained 30% interest is accounted for as an investment in an associate in 2025 (see Notes 1.1 and 7.3).

In 2025, Starworld reduced its authorized capital stock from P530.0 million to P5.3 million. Consequently, the share of the Group in Starworld's capital stock decreased by P209.9 million, which is presented in the 2025 consolidated statement of changes in equity. Subsequently, SMC disposed of its equity interest in Starworld, resulting in a reduction in ownership and the loss of control over the investee.

The corporate information of Starworld as well as the Parent Company's stockholding thereto, is provided in Note 1.1.

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.

23.5 Loss of Control Over Subsidiaries

As discussed in Notes 1 and 23.4, the Group sold its shares of stock in Starworld in 2025. At the date of sale, the net carrying amount of this entity and the determination of the gain or loss on deconsolidation is as follows (amounts in PHP):

<u>Starworld</u>	
Cash and cash equivalents	229,710,582
Trade and other receivables – net	541,840
Advances to related parties	4,035,913
Other current assets	671,361
Property and equipment – net	2,744,449
Total current assets	237,704,145
Trade and other payables	210,287,826
Deferred tax liabilities – net	1,658,421
Total current liabilities	211,946,247
Net assets	25,757,898
Net assets – NCI	(43,610,103)
Share of the Parent Company in the net assets of Starworld	(17,852,205)
Retained interest	(1,590,000)
Consideration received	(1,060,000)
Gain in deconsolidation	20,502,205

24. EARNINGS PER SHARE

Basic earnings per share (EPS) is computed by dividing net profit attributable to the Parent Company's stockholders by the weighted average number of shares issued and outstanding, adjusted retroactively for any stock dividends declared, stock split and reverse stock split declared during the current period.

Diluted EPS is computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of potential dilutive shares. Currently, the Group does not have potentially dilutive shares outstanding; hence, the diluted earnings per share is equal to the basic earnings per share.

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

<i>(Amounts in PHP, except share data)</i>	<u>2026</u>	<u>2025</u>
Net profit for the year attributable to the Parent Company's stockholders	<u>232,054,965</u>	<u>332,907,238</u>
Divided by weighted average shares outstanding:		
Number of shares issued	<u>2,030,975,000</u>	<u>2,030,975,000</u>
Treasury shares	<u>(209,433,000)</u>	<u>(209,433,000)</u>
	<u>1,821,542,000</u>	<u>1,821,542,000</u>
Earnings per share – basic and diluted	<u>0.13</u>	<u>0.18</u>

There were no outstanding convertible preferred shares and bonds or other stock equivalents as of June 30, 2026 and 2025 hence; diluted earnings per share is equal to the basic earnings per share.

25. RELATED PARTY TRANSACTIONS

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form. Based on the requirement of the SEC Memorandum Circular 2019-10, *Rules on Material Related Party Transactions for Publicly Listed Companies*, transactions amounting to 10% or more of the total assets based on the latest audited financial statements that were entered into with related parties are considered material. All individual material related party transactions shall be approved by at least two-thirds vote of the BOD, with at least a majority of the independent directors voting to approve the material related party transactions. In case that a majority of the independent director's vote is not secured; the material related party transaction may be ratified by the vote of the stockholders representing at least two-thirds of the outstanding capital stock. For aggregate related party transactions within a one-year period that breaches the 10% materiality threshold, the same board approval would be required for the transaction(s) that meets and exceeds the materiality threshold covering the same related party.

The Group's related parties include other companies owned by the Parent Company's majority stockholders and the Group's key management personnel as described below. The summary of the Group's significant transactions in 2025 with its related parties and the outstanding balances as of December 31, 2025 are as follows:

Related Party Category	Amount of Transaction		Outstanding
	Note	2025	Receivable (Payable) 2025
Related Parties Under Common Ownership:			
Lease of real property	25.1	10,098,273	122,913
Refundable deposits	25.1	(65,000)	(2,410,697)
Reversal of impairment losses	25.4		
Cash advances granted - net of allowance	25.2		2,203,313
Rendering of services	25.3	2,179,712	97,653
Sale of investment properties	25.4	-	-
Key Management Personnel –			
Compensation	25.7	60,922,813	-

None of the companies under the Group is a joint venture. The Parent Company is not subject to joint control. Related parties that exercise significant influence over the Parent Company are AA Commercial, Inc. and AV Value Holdings Corporation.

Unless otherwise stated, the Group's outstanding receivables from and payables to related parties arising from advances, sale and purchase of goods, management services and other services, are unsecured, noninterest-bearing and generally settled in cash within 12 months from the end of the reporting period.

Based on the management assessment, certain receivables were found to be impaired using the provision matrix; hence, adequate amount of allowance for impairment have been recognized as of December 31, 2025 (see Note 25.2).

25.1 Lease of Real Property

The Group leases its office space to TCL Sun Inc. (TCL), a related party under common ownership, with a lease term of five years with escalation rates. Revenues arising from these transactions are presented as part of Rentals under the Revenues of the consolidated statements of income.

Deposits received from the related parties for these lease agreements are refundable at the end of the lease term. The Group received additional deposits in connection with this lease agreement. The outstanding balance of refundable deposits are presented as part of Trade and Other Payables in the consolidated statements of financial position (see Note 15).

25.2 Advances to and from Related Parties

In the normal course of business, certain subsidiaries of the Group grant and obtain unsecured, noninterest-bearing cash advances to and from related parties under common ownership for working capital requirements and other purposes. As of June 30, 2026 and December 31, 2025, outstanding balances of these advances are presented as Advances to Related Parties in the consolidated statements of financial position.

In 2024, the Group granted insignificant amount of additional advances to its related party, which remains uncollected as of June 30, 2026. It is presented under Advances to Related Parties in the consolidated statements of financial position.

In 2024, Starworld recovered previously impaired advances from LIIP. The recovery of these amounts occurred as a result of the agreement where LIIP will pay Starworld in installments for 10 years.

25.3 Rendering of Services

In 2026 and 2025, a certain subsidiary bills TCL service charges for common usage and service area and consumption of utilities. Charges arising from these transactions are presented as Common usage and service area and utilities charges as part of Other operating income under Other Operating Expense section of the consolidated statements of comprehensive income (see Note 19).

As of June 30, 2026 and December 31, 2025, there are no outstanding receivables arising from these transactions.

25.4 Key Management Personnel Compensation

These amounts are shown as part of Salaries and employee benefits under General and Administrative Expenses in the consolidated statements of income (see Notes 18 and 21.1).

25.5 Transactions with the Retirement Fund

The Group has established a formal multi-employer retirement plan which is administered by an investment manager, except for certain subsidiaries whose retirement fund remained unfunded as of December 31, 2025.

The retirement fund consists of corporate bonds, government securities and UITF with fair values totaling P269.4 million as of December 31, 2025. The retirement fund neither provides any guarantee nor surety for any obligation of the Group.

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

26. SIGNIFICANT CONTRACTS AND AGREEMENTS

26.1 Memorandum of Understanding with SPI

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

In-warranty services shall be rendered free of charge to customers. The actual cost of replacement parts related to in-warranty services shall be shouldered by SPI. Network support fees are billed at a fixed rate per month. The agreement is effective unless revoked by any of the parties.

Network support fees and in-warranty service fees relating to SPI products amounted to P69.7 million in 2025 and are presented as part of Rendering of Services in the consolidated statements of income.

The outstanding balances arising from these transactions amounting to P5.8 as of December 31, 2025 are included as part of Trade receivables under the Trade and Other Receivables in the consolidated statements of financial position (see Note 6.1).

26.2 Management Agreement with Sky Cable Corporation

For continuity of services to subscribers, the Group and SkyCable Corporation (SkyCable) undertook to cooperate with each other and to execute further actions as may be necessary to carry out the purposes of the agreement on sale of assets pending the approval of the National Telecommunications Commission (NTC). The Management Agreement shall be automatically terminated on the date of the NTC's approval of the transfer of the assets in favor of SkyCable. As of June 30, 2026, despite the expiration of the legislative franchise in April 2026, the existing Management Agreement remained valid and in effect while awaiting approval of the NTC.

The Group was given the overall power and responsibility to handle all aspects necessary to carry out the administration and operations of SkyCable and to accord the necessary additional authorizations, should the need arise.

Revenues arising from these transactions is presented as part of Rendering of services under Revenues in the consolidated statements of income. The outstanding receivable amounted to P9.9 million as of December 31, 2025 is included as part of Trade receivables under Trade and Other Receivables in the consolidated statements of financial position (see Note 6.1).

27. COMMITMENTS AND CONTINGENCIES

The following are the significant commitments and contingencies involving the Group:

27.1 Operating Lease Commitments – Group as Lessor

Certain subsidiaries are lessors under various non-cancellable operating lease agreements covering certain real estate properties. These leases have terms ranging from one to 15 years, with renewal options, and include annual escalation rates ranging from 5% to 10%. These subsidiaries receive fixed monthly payments.

The Group is subject to risks associated with the rights it retains in the properties it leases, such as alterations made by the lessee that may impair the value of the leased properties. To manage the exposure on such risks, the Group exercises strict control over the fit-out process and no alterations are allowed to be made without prior approval of the Group. The Group also requires security deposits and advance rentals equivalent to at least three months of rent. Moreover, the Group retains its right to inspect the leased properties during the lease term. In case of expiration of lease term or early termination due to the default of the lessee, the Group is entitled to the improvements installed on the leased properties without an obligation to reimburse the lessee for the costs of improvements.

The future minimum lease receivables under these non-cancellable operating leases as of December 31 are presented on the succeeding page.

<i>(Amounts in PHP)</i>	<u>2025</u>
Within one year	364,932,629
After one year but not more than two years	355,356,472
After two years but not more than three years	305,303,729
After three years but not more than four years	281,453,492
After four years but not more than five years	283,716,506
More than five years	<u>2,621,010,237</u>
	<u>4,211,773,065</u>

The total rent income recognized from these transactions, including rent income resulting from the application of the straight-line basis of revenue recognition for the reporting periods, are presented as Rentals under Revenues section of the consolidated statements of income. There was no contingent rent (i.e., variable rent considerations) related to these operating leases.

27.2 Purchase Commitments

In 2007, the Group has entered into several construction contracts with various subcontractors for the construction of Tri-Towers condominium building. The construction of Tower 1 and Tower 2 were completed in 2008 and 2012, respectively, while the construction of Tower 3 has not yet started, yet it has incurred expenses for the planning phase as of June 30, 2026 (see Note 9.2).

27.3 Deficiency Tax Assessments

Certain subsidiaries have outstanding deficiency tax assessments with the BIR and outstanding tax cases filed with the Court of Tax Appeals (CTA) covering the taxable years 2011, 2012, 2013, 2014, 2015, 2016, 2017 and 2022 relating to transactions in the ordinary course of business. Pursuant to the Group's policy of addressing such actions in line with prudent business practice, the Group has engaged external tax counsel and advisors in relation to these matters.

As of December 31, 2025, the majority of these deficiency tax assessments and tax cases are paid, under protest, while the remaining assessment and cases are pending resolutions. Based on management's assessment, supported by legal advice, it is not probable that an outflow of economic benefits will be required in respect of these matters. Accordingly, no provision was recognized as of December 31, 2025. Management does not expect the final resolution of these tax matters to have a material impact on the Group's consolidated financial statement.

27.4 Others

The Group has unused credit facilities amounting to P1.3 billion in 2025.

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, 2025, management is of the opinion that losses, if any, that may arise from these commitments and

contingencies will not have a material effect on the Group's consolidated financial statements.

28. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks in relation to financial instruments. The Group's financial assets and liabilities by category are summarized in Note 29. The main types of risks are market risk, credit risk, liquidity risk and operational risk.

The Group's risk management is coordinated with the Parent Company's BOD and focuses on actively securing the Group's short to medium-term cash flows by minimizing the exposure to financial markets. Long-term financial investments are managed to generate continuous returns.

The Group does not engage in the trading of financial assets for speculative purposes, nor does it write options. The most significant financial risks to which the Group is exposed are described below and on the succeeding pages.

28.1 Market Risk

The Group is exposed to market risk through its use of financial instruments and specifically to foreign currency risk, interest rate risk and certain other price risk which result from its operating, investing and financing activities.

(a) Foreign Currency Risk

Most of the Group's transactions are carried out in Philippine pesos, its functional currency. Exposures to currency exchange rates arise from the Group's foreign currency denominated trade and other receivables and trade and other payables, which are primarily denominated in USD and Hong Kong Dollar (HKD). The Group also holds USD-denominated and HKD-denominated cash and cash equivalents.

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

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

	2026		2025	
	USD	HKD	USD	HKD
Financial assets	238,813,467	4,843,975	210,873,073	14,287,280
Financial liabilities	(454,408)	(31,236)	-	-
Short-term exposure	238,359,059	4,812,739	210,873,073	14,287,280

The following table illustrates the sensitivity of the Group's profit before tax in 2026 and 2025 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.

	2026		2025	
	Reasonably Possible Change in Rate	Effect in Profit Before Tax	Reasonably Possible Change in Rate	Effect in Profit Before Tax
(Amounts in PHP)				
PHP – USD	13.50%	32,188,683	6.10%	12,869,987
PHP – HKD	13.53%	651,264	6.11%	873,195
		32,839,947		13,743,182

If the Philippine peso had strengthened against the USD and HKD, with all other variables held constant, the Group's profit before tax would have been lowered by P32.8 million and P13.7 million in 2026 and 2025 respectively. Conversely, if the Philippine peso had weakened against the USD and HKD by the same percentage, with all variables held constant, profit before tax and equity would have been higher in 2026 and 2025 by the same amount.

Exposures to foreign exchange rates vary during the period depending on the volume of foreign currency denominated transactions. Nonetheless, the analysis above is considered to be a reasonable estimation of the Group's currency risk.

(b) *Interest Rate Risk*

As of June 30, 2026 and December 31, 2025, the Group is exposed to changes in market interest rates through its cash and cash equivalents, short-term placements, loans receivables and interest-bearing loans which are subject to variable interest rates. All other financial assets and financial liabilities have fixed rates or are noninterest-bearing.

The sensitivity of profit or loss before tax is based on a reasonably possible change in interest rates of +/-2.37% in 2026, +/-1.98% in 2025 for Philippine peso. On the other hand, the Group's exposure to foreign currency interest rates is insignificant. These changes in rates have been determined based on the average market volatility in interest rates, using standard deviation, in the previous 12 months, estimated at 99% level of confidence. The sensitivity analysis is based on the Group's financial instruments held at each reporting date, with the effect estimated from the beginning of the year. All other variables are held constant.

The changes in percentages would affect profit or loss before tax by +/-P46.8 million and +/-P46.0 million in 2026 and 2025, respectively.

(c) *Other Price Risk*

The Group's market price risk arises from its investments carried at fair value (i.e., financial assets measured at FVOCI). The Group manages exposure to price risk by monitoring the changes in the market price of the investments and at some extent, diversifying the investment portfolio in accordance with the limit set by management.

28.2 Credit Risk

Credit risk is the risk that the counterparties may fail to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments arising from granting loans and selling goods and services to customers including related parties, placing deposits with banks.

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. Where available at a reasonable cost, external credit ratings and/or reports and other counterparties are obtained and used. The Group's policy is to deal only with creditworthy counterparties. In addition, for a significant proportion of real estate sales and leasing transactions, advance payments are received to mitigate credit risk.

The maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown in the consolidated statements of financial position and in the detailed analysis provided in the notes to the consolidated financial statements, as summarized below.

<i>(Amounts in PHP)</i>	Notes	2026	2025
Cash and cash equivalents	5.1	2,048,738,699	2,576,872,713
Short-term placements	5.2	781,763,446	622,972,639
Trade and other receivables – net*	6	983,092,691	1,025,356,015
Investment in bonds	7.2	20,000,000	20,000,000
Refundable deposits**	13	41,702,826	39,550,773
Advances to related parties	25.2	2,423,879	2,423,879
Cash bond**	13	15,635,346	15,635,346
		<u>3,893,356,887</u>	<u>4,302,811,365</u>

* Except for Advances to suppliers and employees

** Presented as part of Other Assets

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

None of the Group's financial assets are secured by collateral or other credit enhancements, except for cash and cash equivalents and short-term placements as described below and on the succeeding pages.

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

The credit risk for cash and cash equivalents and short-term placements in the consolidated statements of financial position is considered negligible since the counterparties are reputable banks with high quality external credit ratings.

Included in the cash and cash equivalents are cash in banks and cash equivalent with maturities of less than three months, and short-term placements which are

insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P1.0 million for every depositor per banking institution.

(b) *Trade and Other Receivables*

The Group applies the simplified approach in measuring ECL which uses a lifetime expected loss allowance for all trade receivables and other receivables.

With respect to other receivables from third parties, management assessed that these financial assets have a low probability of default since the Group can apply the related payables to these counterparties in case it defaults.

For loans receivable, the Group is not exposed to significant credit risk to any single counterparty or any group of counterparties having similar characteristics. Based on historical information about borrower default rates, management considers the credit quality of loans receivables that are not past due or impaired in assessing the credit risk. Further, the Group holds collateral against loans and other receivables in the form of personal guaranty, chattel mortgage and other forms of security. Estimates of fair value are based on the value of collateral assessed at the time of borrowing and are generally updated annually.

To measure the ECL, trade and other receivables have been grouped based on shared credit risk characteristics and the days past due (age buckets). The Group also concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the other receivables as it shares the same credit risk characteristics.

The calculation of ECL incorporates forward-looking information. The Group has performed historical analysis and identified the key economic value factors, which includes gross domestic product, inflation and consumer price index, affecting credit risk and ECL for the loan portfolio.

On that basis, the loss allowance as of December 31, 2025 was determined based on months past due, for trade and other receivables (except advances to suppliers and employees, interest receivables and cash surrender value of investment in life insurance) are presented below.

<i>(Amounts in PHP)</i>	Not more than 60 days	More than 60 days but not more than 90 days	More than 90 days but not more than 120 days	More than 120 days	Total
December 31, 2025					
Expected loss rate	0.26%	13.49%	15.63%	85.71%	
Gross carrying amount	480,347,029	16,117,806	36,268,580	117,205,317	649,938,732
Loss allowance	1,233,619	2,174,292	5,668,779	100,456,677	109,533,367

(c) *Advances to Related Parties*

For intercompany receivables that are repayable on demand, the ECL is based on the assumption that repayment of the receivables is demanded at the reporting date. The management determines the probability of collection upon demand. If a related party is unable to make repayment, the management considers the manner of recovery (i.e., sustained operations, availability of liquid and illiquid asset, etc.) to measure the ECL.

(d) *Refundable and Other Deposits*

With respect to refundable and other deposits, management assessed that these financial assets have a low probability of default since these relate to reputable power and water distribution companies (i.e., with high quality external credit rating). Moreover, the Group has operating lease contracts as lessee with the counterparty lessors, wherein the Group can refund by the end of the term or can apply to future lease payments in case of defaults.

(e) *Investment in Bonds*

Investment in bonds measured at amortized cost are considered to have low credit risk, and therefore, the loss allowance during the period is determined to be equivalent to 12 months ECL. Management considers “low credit risk” for listed bonds to be an investment grade credit rating with at least one major rating agency. Other instruments are considered to be low credit risk when they have a low risk of default, and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

No impairment loss on investment in bonds has been recognized in 2026 and 2025 since the bonds are in good credit standing as of June 30, 2026 and December 31, 2025.

(f) *Cash Bond*

With respect to cash bond, management assessed that this financial asset has low probability of default since this relates to refundable deposits made by the Group for its application for conversion of land.

28.3 Liquidity Risk

Liquidity risk is the risk that cash may not be available to meet operating requirements and to pay obligations when due at a reasonable cost. Prudent liquidity risk management requires maintaining sufficient cash and credit facilities at reasonable cost to satisfy current requirements whenever the need arises. The Group aims to maintain flexibility in funding by keeping committed credit lines available.

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 6-month and one-year period are identified monthly. The Group maintains cash to meet its liquidity requirements for up to 60-day periods. Excess cash is invested in short-term placements. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

The Group further mitigates liquidity risk by requiring tenants to issue post-dated checks (PDCs) covering rental payments in advance in accordance with the lease terms. This arrangement enhances the predictability of cash inflows and supports the Group’s ability to meet operating expenditures and scheduled debt service obligations on a timely basis.

As of June 30, 2026 and December 31, 2025, the Group's financial liabilities [except for lease liabilities (see Note 10.2)] have contractual maturities, which are presented below.

<i>(Amounts in PHP)</i>	Current		Non-current
	Within 6 months	7 to 12 Months	1 to 5 Years and More
2026			
Trade and other payables	573,916,742		
Refundable deposits			38,014,249
Interest-bearing loans	48,587,275	53,992,870	1,078,192,634
	<u>622,504,017</u>	<u>53,992,870</u>	<u>1,116,206,883</u>
2025			
Trade and other payables	413,957,984	-	-
Refundable deposits	-	-	23,014,249
Interest-bearing loans	48,601,509	48,100,938	1,108,294,909
	<u>462,559,493</u>	<u>48,100,938</u>	<u>1,131,309,158</u>

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

28.4 Operational Risk

The Group's exposure to significant operational risk relates to SMFI's secondary license to operate as a financing company under R.A. No. 8556 (see Note 1.2). Also, SMFI is under the regulation of the Commission. Management is aware that the Group will always have operational risk but seeks to minimize the probability and impact of such in its operations and consolidated financial statements.

The Group manages this risk through applicable controls, process and procedures, including effective organization structure. Internal controls ensure compliance with laws and regulations, including R.A. No. 8556 and SEC regulations, and the overall protection of SMFI's resources.

SMFI, as a financing company, is subject to, but not limited to, the following regulatory requirements under the implementing rules and regulations of the provisions of R.A. No. 8556:

- (a) Total investment in real estate and in shares of stock in a real estate development corporation shall not exceed 25% of its net worth;
- (b) More than 50% of the funds are invested in financing company activities;
- (c) Total credit extended to its directors, officers, and stockholders shall not exceed 15% of its net worth; and,
- (d) Total credit extended to any person, company, corporation or firm shall not exceed 30% of its net worth.

As of June 30, 2026 and December 31, 2025, the Group is compliant with the foregoing requirements.

29. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

29.1 Carrying Amounts and Fair Values by Category

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

(Amounts in PHP)	Notes	2026		2025	
		Carrying Amounts	Fair Values	Carrying Amounts	Fair Values
Financial assets					
At amortized cost:					
Cash and cash equivalents	5.1	2,048,738,699	2,576,872,713	2,576,872,713	2,576,872,713
Short-term placements	5.2	781,763,446	622,972,639	622,972,639	622,972,639
Trade and other receivables – net	6	983,092,691	1,025,356,015	1,025,356,015	1,025,356,015
Investment in bonds	7.2	20,000,000	20,000,000	20,000,000	19,930,804
Refundable deposits	13	41,702,826	39,550,773	39,550,773	39,550,773
Advances to related parties	25.4	2,423,879	2,423,879	2,423,879	2,423,879
Cash bond	13	15,635,346	15,635,346	15,635,346	15,635,346
		<u>3,893,356,887</u>	<u>4,302,811,365</u>	<u>4,302,811,365</u>	<u>4,302,742,169</u>
Financial assets at FVOCI	7.1	<u>94,000,000</u>	<u>94,000,000</u>	<u>94,000,000</u>	<u>94,000,000</u>
		<u>3,987,356,887</u>	<u>4,396,811,365</u>	<u>4,396,811,365</u>	<u>4,396,742,169</u>
Financial liabilities					
At amortized cost					
Interest-bearing loans	14	855,312,500	835,625,000	875,000,000	817,425,000
Trade and other payables	15	573,916,742	413,957,984	413,957,984	413,957,984
Refundable deposits	16	38,014,249	23,014,249	23,014,249	23,014,249
Lease liabilities	10.2	2,027,151	3,898,978	3,898,978	3,898,978
		<u>1,469,270,642</u>	<u>1,276,496,211</u>	<u>1,315,871,211</u>	<u>1,258,296,211</u>

A description of the Group's risk management objectives and policies for financial instruments is provided in Note 28.

29.2 Offsetting of Financial Instruments

The Group has not set off financial instruments as of December 31, 2025 and it does not have relevant offsetting arrangements. Currently, financial assets and financial liabilities are settled on a gross basis; however, each party to the financial instrument (particularly related parties) may have the option to settle all such amounts on a net basis in the event of default of the other party through approval by the respective BODs and stockholders of both parties.

The financial assets presented as part of Advances to Related Parties can be offset by the amount of outstanding Advances from Related Parties, if any, in the consolidated statements of financial position (see Note 25.2).

For financial assets and financial liabilities subject to enforceable master netting agreements or similar arrangements above, certain agreements between the Group and counterparties allows for net settlement of the relevant financial assets and financial liabilities when both parties elect to settle on a net basis. In the absence of such an election, financial assets and financial liabilities will be settled on a gross basis, however,

each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party.

30. FAIR VALUE MEASUREMENTS AND DISCLOSURES

30.1 Fair Value Hierarchy

In accordance with PFRS 13, *Fair Value Measurement*, the fair value of financial assets and financial liabilities, and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS Accounting Standards, are categorized into three levels based on the significance of inputs used to measure the fair value. The fair value hierarchy has the following levels as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the financial asset or financial liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,
- Level 3: inputs for the financial asset or financial liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or financial liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

For investments which do not have quoted market price, the fair value is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market of another instrument which is substantially the same after taking into account the related credit risk of counterparties or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Group uses valuation technique, it maximizes the use of observable market data where it is available and relies as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

30.2 Financial Instruments Measured at Fair Value

The Group's financial assets at FVOCI include proprietary golf club shares which are categorized within Level 2 as their prices are not derived from an active market due to lack of trading activities among market participants at the end or close to the end of the reporting period. As of June 30, 2026 and December 31, 2025, the Group's financial assets at FVOCI measured at fair value amounted to P94.0 million, respectively (see Note 7.1).

The Group has no financial liabilities measured at fair value as of June 30, 2026 and December 31, 2025. Also, there were neither transfers between Levels 1 and 3 nor changes in the carrying amount of Level 2 instruments in both years.

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

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

<i>(Amounts in PHP)</i>	Notes	Level 1	Level 3	Total
2026				
Financial Assets				
<i>At amortized cost:</i>				
Cash and cash equivalents	5.1	2,048,738,699	-	2,048,738,699
Short-term placements	5.2	781,763,446	-	781,763,446
Trade and other receivables – net	6	-	983,092,691	983,092,691
Investment in bonds	7.2	20,000,000	-	20,000,000
Refundable deposits	13	-	41,702,826	41,702,826
Advances to related parties	25.4	-	2,423,879	2,423,879
Cash bond	13	-	15,635,346	15,635,346
		<u>2,850,502,145</u>	<u>1,042,854,742</u>	<u>3,893,356,887</u>
Financial Liabilities				
<i>At amortized cost:</i>				
Interest-bearing loans	14	-	855,312,500	855,312,500
Trade and other payables	15	-	573,916,742	573,916,742
Refundable deposits	16	-	38,014,249	38,014,249
Lease liabilities	10.2	-	2,027,151	2,027,151
		<u>-</u>	<u>1,469,270,642</u>	<u>1,469,270,642</u>
2025				
Financial Assets				
<i>At amortized cost:</i>				
Cash and cash equivalents	5.1	2,576,872,713	-	2,576,872,713
Short-term placements	5.2	622,972,639	-	622,972,639
Trade and other receivables – net	6	-	1,025,356,015	1,025,356,015
Investment in bonds	7.2	19,930,804	-	19,930,804
Refundable deposits	13	-	39,550,773	39,550,773
Advances to related parties	25.4	-	2,423,879	2,423,879
Cash bond	13	-	15,635,346	15,635,346
		<u>3,219,776,156</u>	<u>1,082,966,013</u>	<u>4,302,742,169</u>
Financial Liabilities				
<i>At amortized cost:</i>				
Interest-bearing loans	14	-	817,425,000	817,425,000
Trade and other payables	15	-	413,957,984	413,957,984
Refundable deposits	16	-	23,014,249	23,014,249
Lease liabilities	10.2	-	3,898,978	3,898,978
		<u>-</u>	<u>1,258,296,211</u>	<u>1,258,296,211</u>

For financial assets with fair values included in Level 1, management considers that the carrying amounts of these financial instruments approximate their fair values due to their short duration.

The fair values of the financial assets and financial liabilities included in Level 3, which are not traded in an active market, are determined based on the expected cash flows of the underlying net asset or liability based on the instrument where the significant inputs required to determine the fair value of such instruments are not based on observable market data. Further, management considers that the carrying amounts of these

financial instruments approximate their fair values as the effect of discounting is insignificant.

30.4 Fair Value Measurements of Non-financial Assets

The fair value of the Group's investment properties is determined on the basis of the appraisals performed by an independent appraiser with appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. To some extent, the valuation process was conducted by the appraisers in discussion with the Group's management with respect to the determination of the inputs such as the size, age, and condition of the land and buildings, and the comparable prices in the corresponding property location. In estimating the fair value of these properties, management takes into account the market participant's ability to generate economic benefits by using the assets in their highest and best use. Based on management assessment, the best use of the Group's non-financial assets indicated above is their current use.

The fair value of these non-financial assets was determined based on the following approaches (see Note 12):

(a) Fair Value Measurement for Land and Improvements

The Level 2 fair value of land and improvements amounted to P5,905.2 million as of December 31, 2025 and was derived through appraisals by independent valuation specialists using market-based valuation approach where prices of comparable properties are adequate for specific market factors such as location and condition of the property.

(b) Fair Value Measurement for Building and Building Improvements

The Level 3 fair value of the buildings and improvements amounted to P2,408.2 million as of December 31, 2025, respectively, and was derived through appraisals by independent valuation specialists using cost approach that reflects the current replacement cost in accordance with the prevailing market prices for materials, equipment, labor, contractor's overhead, profit, fees and all other construction costs of the properties. As the value of the properties is not readily observable as to the current market information, the independent appraiser adjusted the valuation based on the useful life and depreciation over time, accounting for wear and tear.

Significant unobservable inputs for these Level 3 measurements include replacement and construction costs, depreciation and obsolescence factors, and assumptions relating to remaining useful lives. Changes in these inputs would result in a corresponding increase or decrease in the fair values of the properties.

(c) Fair Value Measurement for Construction in Progress

The Level 3 fair value of the construction in progress amounted to P70.7 million as of December 31, 2025. These fair values were determined using the cost approach that reflects the cost to a market participant to construct an asset of comparable usage, construction standards, design and layout, adjusted for obsolescence. The more significant inputs used in the valuation include direct and indirect costs of construction such as but not limited to, labor and contractor's

profit, materials and equipment, surveying and permit costs, electricity and utility costs, architectural and engineering fees, insurance and legal fees.

These inputs were derived from various suppliers and contractor's quotes, price catalogues, and construction price indices. Under this approach, higher estimated costs used in the valuation will result in higher fair value of the properties.

The discount rates and terminal capitalization rates used in the valuation were determined with reference to published risk free rates and relevant risk premium rates at the date of valuation.

There has been no change to the valuation techniques used by the Group during the year for its non-financial assets. Also, there were no transfers into or out of Level 3 fair value hierarchy in 2025.

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 advanced from related parties. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the carrying amount of equity as presented on the face of the consolidated statements of financial position. The Group's goal in capital management is to maintain a debt-to-equity structure ratio of not higher than 1:1 on a monthly basis.

The computation of the Group's debt-to-equity ratio is presented below.

<i>(Amounts in PHP)</i>	2026	2025
Total liabilities	2,833,996,125	2,673,337,140
Total equity	13,096,329,682	13,014,821,971
	0.22 : 1.00	0.21 : 1.00

As of June 30, 2026 and December 31, 2025, the Group is not subject to any externally imposed capital requirements, except for SMFI. Under Section 6 of R.A. No. 8556, SMFI is subject to an externally imposed capital requirement of a minimum of P10.0 million paid-up capital. SMFI is in compliance with the minimum paid-up capital requirement as of June 30, 2026 and December 31, 2025.

Solid Group Inc. and Subsidiaries
Schedule of Financial Soundness Indicators

RATIO		FORMULA	Unaudited for the period ended June 30, 2026		Audited as of December 31, 2025	
Current ratio		$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	$\frac{4,658,651,631}{726,913,641}$	6.41	$\frac{4,970,818,241}{569,139,144}$	8.73
Acid Test ratio		$\frac{\text{Quick Assets (Cash \& Cash Equivalents + Short term Placements + Trade Receivables)}}{\text{Current Liabilities}}$	$\frac{3,336,551,347}{726,913,641}$	4.59	$\frac{3,773,355,957}{569,139,144}$	6.63
Solvency ratio		$\frac{\text{Total Liabilities}}{\text{Total Assets}}$	$\frac{2,833,996,125}{15,930,325,807}$	0.18	$\frac{2,673,337,140}{15,688,159,111}$	0.17
Debt to Equity ratio		$\frac{\text{Total Liabilities (excluding advances from related parties)}}{\text{Total Equity}}$	$\frac{2,833,996,125}{13,096,329,682}$	0.22	$\frac{2,673,337,140}{13,014,821,971}$	0.21
Gearing ratio		$\frac{\text{Financial Debt}}{\text{Total Equity}}$	$\frac{855,312,500}{13,096,329,682}$	0.07	$\frac{875,000,000}{13,014,821,971}$	0.07
Asset to Equity ratio		$\frac{\text{Total Assets}}{\text{Total Equity}}$	$\frac{15,930,325,807}{13,096,329,682}$	1.22	$\frac{15,688,159,111}{13,014,821,971}$	1.21
RATIO	FORMULA		Unaudited for the period ended June 30, 2026		Unaudited for the period ended June 30, 2025	
Interest Coverage ratio		$\frac{\text{EBIT (Earnings before interest and tax)}}{\text{Interest Expense}}$	$\frac{337,061,318}{24,540,119}$	13.74	$\frac{423,958,572}{27,697,369}$	15.31
Operating Margin		$\frac{\text{Operating Profit (Loss)}}{\text{Total Revenues}}$	$\frac{285,582,759}{1,515,435,717}$	18.84%	$\frac{368,299,404}{1,476,061,081}$	24.95%
Net Profit Margin		$\frac{\text{Net Profit (Loss) after Tax}}{\text{Total Revenues}}$	$\frac{233,343,681}{1,515,435,717}$	15.40%	$\frac{338,490,091}{1,476,061,081}$	22.93%
Return on Total Assets		$\frac{\text{Net Profit (Loss) after Tax (annualized)}}{\text{Average Total Assets}}$	$\frac{466,687,362}{15,809,242,459}$	2.95%	$\frac{676,980,182}{15,658,003,813}$	4.32%
Return on Equity		$\frac{\text{Net Profit (Loss) after Tax (annualized)}}{\text{Total Equity}}$	$\frac{466,687,362}{13,096,329,682}$	3.56%	$\frac{676,980,182}{12,905,661,562}$	5.25%