

**SECURITIES AND EXCHANGE COMMISSION**

**SEC FORM – ACGR**

**ANNUAL CORPORATE GOVERNANCE REPORT**

1. Report is Filed for the Year: 2012
2. Exact Name of Registrant as Specified in its Charter: **SOLID GROUP INC.**
3. Address of Principal Office: Solid House, Postal Code: 1231  
2285 Don Chino Roces Ave., Makati City, Philippines
4. SEC Identification Number : 845
5. \_\_\_\_\_(SEC Use Only)  
Industry Classification Code
6. BIR Tax Identification Number: 000-508-536-000
7. Issuer's Telephone number, including area code: (632) 843-15-11
8. Former name or former address, if changed from the last report: Not Applicable

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## A. BOARD MATTERS

### 1) Board of Directors

Number of Directors per Articles of Incorporation	9
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Actual number of Directors for the year	9
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#### (a) Composition of the Board

Complete the table with information on the Board of Directors:

Director's Name	Type [Executive (ED), Non-Executive (NED) or Independent Director (ID)]	If nominee, identify the principal	Nominator in the last election (if ID, state the relationship with the nominator)	Date first elected	Date last elected (if ID, state the number of years served as ID) <sup>1</sup>	Elected when (Annual /Special Meeting)	No. of years served as director
Elena S. Lim	NED			1996	June 28, 2012	Annual	16
Susan L. Tan	ED			1996	June 28, 2012	Annual	16
David S. Lim	ED			1996	June 28, 2012	Annual	16
Jason S. Lim	ED			1996	June 28, 2012	Annual	16
Vincent S. Lim	ED			1996	June 28, 2012	Annual	16
Quintin Chua	ID			2003	June 28, 2012	Annual	9
Luis Maria Zabaljauregui	ID			2008	June 28, 2012	Annual	4
Joseph Lim	NED			1996	June 28, 2012	Annual	12
Beda Manalac	ED			2010	June 28, 2012	Annual	2

- (b) Provide a brief summary of the corporate governance policy that the board of directors has adopted. Please emphasize the policy/ies relative to the treatment of all shareholders, respect for the rights of minority shareholders and of other stakeholders, disclosure duties, and board responsibilities.

The Company adopted a Manual on Corporate Governance to institutionalize the rules and principles of good corporate governance in accordance with the Code of Corporate Governance promulgated by SEC. Its Manual on Corporate Governance was submitted to the SEC on September 2, 2002 in accordance with SEC Memorandum Circular No. 2 Series of 2002. The Board of Directors approved the Company's Revised Manual of Corporate Governance in compliance with SEC Memorandum Circular No. 6, Series of 2009 on September 30, 2010. The Company adopted the Revised Manual of Corporate Governance and submitted it to the SEC on September 30, 2010. Pursuant to the Manual, three Board Committees – Audit, Nomination and Compensation and Remuneration Committees were created in 2003 to aid in complying with principles of good corporate governance. In 2003, the Company increased the number of independent directors from one (1) to two (2). In 2004, in compliance with SEC Memorandum Circular No. 6, the Company increased the number of independent directors in its Audit Committee, from one independent director to two (2) independent directors, and appointed an independent director to head the Audit Committee. The company has reelected Mr. Quintin Chua and Mr. Luis Maria L. Zabaljauregui as Independent Directors during the Annual Stockholders' meeting on June 28, 2012. In 2008, the company created another committee, the Risk Management Committee in addition to the 3 existing committees composed of four (4) members chaired by an independent director. In 2012, the Company, while retaining the services of Punongbayan & Araullo as external auditor, designated a new engagement partner for the audit of the financial statements of the Company beginning the year ending December 31, 2011 in compliance with its Manual on Corporate Governance, which requires that the Company's external auditor be rotated or the handling partner changed every five (5) years or earlier. A Compliance Officer was appointed in 2002, directly reporting to the

<sup>1</sup> Reckoned from the election immediately following January 2, 2012.

Chairman of the Board to monitor compliance with the provisions and requirements of the Manual. The Compliance Officer has established an evaluation system to measure or determine the level of compliance of the Company with its Manual.

In connection to Stockholder's Rights and Protection of Minority Stockholder's Interests, the Board shall respect the right of the stockholders as provided for in the Corporation's Articles of Incorporation, By-laws and Corporate Code. The Company promotes disclosure and transparency. Information such as earnings, acquisition, disposition of assets, related party transactions and other information are disclosed timely to the SEC and PSE. It is the Board's responsibility to foster the long-term success of the Company, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the best interests of its stockholders. It formulates the Company's vision, mission, strategic objectives, policies and procedures.

(c) How often does the Board review and approve the vision and mission?

The vision and mission statement of the Company is reviewed and approved every year by the Board.

(d) Directorship in Other Companies

(i) Directorship in the Company's Group<sup>2</sup>

Identify, as and if applicable, the members of the company's Board of Directors who hold the office of director in other companies within its Group:

Director's Name	Corporate Name of the Group Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Elena S. Lim	Interstar Holdings Co., Inc.	ED-Chairman
	Kita Corporation	NED
	Laguna International Industrial Park Inc.	ED-Chairman
	My Solid Technologies & Devices Corp.	NED
	Omni Solid Services Inc.	NED
	Phil-Nanning Consortium Inc.	NED
	Precos Inc.	NED
	Skyworld Corporation	ED-Chairman
	Solid Broadband Corporation	NED
	Solid Electronics Corporation	NED
	Solid Video Corp.	NED
	Starworld Corp.	ED-Chairman
	Zen Towers Corp.	NED
Susan L. Tan	Kita Corporation	ED-Chairman
	My Solid Technologies & Devices Corp.	NED
	Omni Solid Services Inc.	ED-Chairman
	Phil-Nanning Consortium Inc.	ED
	Precos Inc.	ED-Chairman
	Solid Broadband Corp.	ED-Chairman
	Solid Electronics Corporation	ED-Chairman
	Solid Manila Corp.	NED
	Solid Manila Finance Inc.	ED-Chairman
	Solid Video Corp.	ED
	SolidGroup Technologies Corporation	NED
	Zen Towers Corp.	ED
	Brilliant Reach Limited	ED

<sup>2</sup> The Group is composed of the parent, subsidiaries, associates and joint ventures of the company.

David S. Lim	Casa Bocobo Hotel Inc.	ED-Chairman
	Interstar Holdings Co., Inc.	ED
	Kita Corporation	NED
	Laguna International Industrial Park Inc.	ED
	My Solid Technologies & Devices Corp.	ED-Chairman
	Omni Solid Services Inc.	NED
	Phil-Nanning Consortium Inc.	ED
	Precos Inc.	ED
	Skyworld Corporation	ED
	Solid Broadband Corporation	ED
	Solid Electronics Corp.	ED
	Solid Manila Corp.	NED
	Solid Video Corp.	ED-Chairman
	SolidGroup Technologies Corporation	NED
	Starworld Corp.	ED
	Zen Towers Corp.	ED-Chairman
	Brilliant Reach Limited	ED
Jason S. Lim	Casa Bocobo Hotel Inc.	ED
	Interstar Holdings Co., Inc.	NED
	Kita Corporation	ED
	My Solid Technologies & Devices Corp.	NED
	Omni Solid Services Inc.	ED
	Phil-Nanning Consortium Inc.	NED
	Skyworld Corp.	NED
	Solid Broadband Corp.	NED
	Solid Electronics Corp.	NED
	Solid Manila Corp.	ED-Chairman
	Solid Manila Finance Inc.	ED
	Solid Video Corp.	NED
	SolidGroup Technologies Corporation	ED-Chairman
	Zen Tower Corp.	NED
Brilliant Reach Limited	ED	
Vincent S. Lim	Casa Bocobo Hotel Inc.	ED
	Interstar Holdings Co., Inc.	ED
	Kita Corporation	ED
	Laguna International Industrial Park Inc.	ED
	My Solid Technologies & Devices Corp.	ED
	Omni Solid Services Inc.	ED
	Phil-Nanning Consortium Inc.	ED
	Precos Inc.	ED
	Skyworld Corporation	ED
	Solid Broadband Corp.	ED
	Solid Electronics Corp.	ED
	Solid Manila Corp.	ED
	Solid Manila Finance Inc.	ED
	Solid Video Corp.	ED
	SolidGroup Technologies Corporation	ED
	Starworld Corp.	ED
Zen Towers Corp.	ED	
Brilliant Reach Limited	ED	
Joseph Lim	Phil-Nanning Consortium Inc.	ED-Chairman
	Precos Inc.	NED
	Solid Broadband Corporation	NED
	Guangxi Fil-Dragon Real Estate Development Ltd.	ED- Chairman
Beda Manalac	Solid Manila Corp.	ED

Quintin Chua	Solid Manila Finance Inc.	ID
Luis Maria Zalbaljauregui	Solid Manila Finance Inc.	ID

(ii) Directorship in Other Listed Companies

Identify, as and if applicable, the members of the company's Board of Directors who are also directors of publicly-listed companies outside of its Group:

Director's Name	Name of Listed Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Not applicable; the Company's BOD are not directors of other listed companies.		

(iii) Relationship within the Company and its Group

Provide details, as and if applicable, of any relation among the members of the Board of Directors, which links them to significant shareholders in the company and/or in its group:

Director's Name	Name of the Significant Shareholder	Description of the relationship
Elena S. Lim	AA Commercial Inc.	Stockholder
Susan L. Tan	AA Commercial Inc.	ED
	AV Value Holdings Corp.	ED - Chairman
David S. Lim	AA Commercial Inc.	ED
	AV Value Holdings Corp.	ED
Jason S. Lim	AA Commercial Inc.	NED
	AV Value Holdings Corp.	NED
Vincent S. Lim	AA Commercial Inc.	ED
	AV Value Holdings Corp.	ED
Joseph Lim	AA Commercial Inc.	ED – Chairman

(iv) Has the company set a limit on the number of board seats in other companies (publicly listed, ordinary and companies with secondary license) that an individual director or CEO may hold simultaneously? In particular, is the limit of five board seats in other publicly listed companies imposed and observed? If yes, briefly describe other guidelines:

	Guidelines	Maximum Number of Directorships in other companies
<b>Executive Director</b>	None; the Company did not set a limit on the number of board seat in other companies but its BOD does not hold directorship position in other listed companies. However, the capacity of the directors to diligently and efficiently perform their duties and responsibilities to the boards they serve should not be compromised.	No limit set. But they may be covered by a lower indicative limit.
<b>Non-Executive Director</b>	Same as for Executive Director	No limit set.
<b>CEO</b>	Same as for Executive Director	No limit set.

(e) Shareholding in the Company

Complete the following table on the members of the company's Board of Directors who directly and indirectly own shares in the company:

Name of Director	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Elena S. Lim	1,894	-	-
Susan L. Tan	78,645	7,300,000/ (thru Christopher James Tan)	0.41
David S. Lim	179,488,591	499,999,999/ (thru AV Value Holding Corp.) 5,000,000/(thru Julia C.C. Lim)	37.58
Jason S. Lim	65,176,160	-	3.58
Vincent S. Lim	71,887,187	583,377,817 (thru AA Commercial Inc.) 5,996,000 (thru Michael Jordan T. Lim)	36.30
Joseph Lim	2	-	-
Quintin Chua	3,505,000	-	0.19
Luis Maria Zabaljauregui	5,000	-	-
Beda Manalac	1,001	-	-

2) Chairman and CEO

- (a) Do different persons assume the role of Chairman of the Board of Directors and CEO? If no, describe the checks and balances laid down to ensure that the Board gets the benefit of independent views.

Yes

No

Identify the Chair and CEO:

Chairman of the Board	Susan L. Tan
CEO/President	David S. Lim

- (b) Roles, Accountabilities and Deliverables

Define and clarify the roles, accountabilities and deliverables of the Chairman and CEO.

	Chairman	Chief Executive Officer
Role	The Chairman shall exercise such other powers that are given to him in the Company By-laws and perform such other duties as the Board of Directors may from time to time fix or delegate.	The President shall be the Chief Executive Officer of the Company.  He shall do and perform such other duties as may from time to time be assigned to him by Board of Directors.
Accountabilities	He shall preside at all meetings of stockholders and of the Directors and in his absence or with his consent, the President shall preside at such meeting.	He may sign and execute all authorized bond contracts or obligations in the name of the corporation and with the Secretary may sign all certificates of shares in the capital stock of the Company.
Deliverables	He shall ensure that the meetings of the Board are held in accordance with the By-laws or as the Chair may deem necessary.  He shall supervise the preparation of the	He shall from time to time make reports of the affairs of the corporation as the Board of Directors may require and shall annually present a report of the preceding years' business to the



	<p>agenda of the meeting in coordination with the Corporate Secretary, taking into consideration the suggestions of the CEO, management and directors.</p> <p>He maintain qualitative and timely lines of communication and information between the board and management.</p>	<p>Board of Directors at their meeting immediately preceding the annual meeting of the stockholders, which report may be read at the annual meeting of the stockholders.</p>
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3) Explain how the board of directors plan for the succession of the CEO/Managing Director/President and the top key management positions?

The Board adopted through the Nomination Committee an effective succession planning program by selecting or recruiting professional managers in the Group. Top key management positions are reviewed periodically to ensure that competent, professional, honest and highly motivated management officers are in place.

4) Other Executive, Non-Executive and Independent Directors

Does the company have a policy of ensuring diversity of experience and background of directors in the board? Please explain.

The Company has no written policy. However, the Company ensures that members have diversity of experience and background. The Company’s Manual on Corporate Governance provides that the board shall implement a process for the selection of directors who can add value and contribute independent judgment to the formulation of sound corporate strategies and policies.

Does it ensure that at least one non-executive director has an experience in the sector or industry the company belongs to? Please explain.

Yes. The Company has a non-executive director who has experience in the field and industry of the Company. Also, the Company’s Manual on Corporate Governance provides that the board shall implement a process for the selection of directors who can add value and contribute independent judgment to the formulation of sound corporate strategies and policies.

Define and clarify the roles, accountabilities and deliverables of the Executive, Non-Executive and Independent Directors:

	<b>Executive (CEO/President)</b>	<b>Non-Executive</b>	<b>Independent Director</b>
<b>Role</b>	<p>The President shall be the Chief Executive Officer of the Company.</p> <p>He shall do and perform such other duties as may from time to time be assigned to him by Board of Directors.</p>	<p>A director’s office is one of trust and confidence.</p> <p>Directors should act in the best interest of the Company in a manner characterized by transparency, accountability and fairness. He should also exercise leadership, prudence and integrity in directing the Company toward sustained progress.</p>	
<b>Accountabilities</b>	<p>He may sign and execute all authorized bond contracts or obligations in the name of the corporation and with the Secretary may sign all certificates of shares in the capital stock of the Company.</p>	<p>It shall be the duty of the Directors:</p> <ul style="list-style-type: none"> <li>• To cause to be kept a complete record of all their minutes and acts and of the proceeding of stockholders’ meeting a statement of the accounts showing in details the assets and liabilities of the corporation an generally the condition of the company’s affairs. A similar statement shall be presented at any other meeting of the stockholders, when thereto required by the persons holding at least one-</li> </ul>	

		<p>third of the capital stock of the corporation</p> <ul style="list-style-type: none"> <li>• To declare dividends out of the surplus profits when such profits shall in the opinion of the directors, warrant the same.</li> <li>• To supervise all officers, agents and employees and see that their duties are properly performed.</li> </ul>
Deliverables	<p>He shall from time to time make reports of the affairs of the corporation as the Board of Directors may require and shall annually present a report of the preceding years' business to the Board of Directors at their meeting immediately preceding the annual meeting of the stockholders, which report may be read at the annual meeting of the stockholders.</p>	<p>The Directors shall have the power:</p> <ul style="list-style-type: none"> <li>• To call special meetings of the stockholders when they deem it necessary. And they shall call a meeting at any time upon the written request of the stockholders holding one-third of the subscribed and paid-in capital stock.</li> <li>• To appoint and remove at the pleasure all officers, agents and employees of the corporation, prescribe their duties, fix their compensation and required from them security for faithful service</li> <li>• To conduct, manage and control the affairs and business of the corporation and to make rules and regulations not inconsistent with the laws of the Philippine Islands or By-Laws of the corporation for the guidance and management of the corporation.</li> </ul>

Provide the company's definition of "independence" and describe the company's compliance to the definition.

The Company uses the "independence" definition of Section 38 of Securities Regulation Code. Independent Director is a person who, apart from his fees and shareholdings, is independent of management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director in any corporation and includes, among others, any person who: (a) is not a director or officer of the corporation or of its related companies or any of its substantial shareholders; (b) is not a substantial shareholder of the corporation or of its related companies or any of its substantial shareholders; (c) is not a relative of any director, officer or substantial shareholder of the corporation, any of its substantial shareholders; (d) is not acting as a nominee or representative of any director or substantial shareholder of the corporation, any of its related companies or any of its substantial shareholders; (e) has not been employed in any executive capacity by that public company, any of its related companies or by any of its substantial shareholders within the last five (5) years; (f) is not retained as professional adviser by that public company, any of its related companies or any of its substantial shareholders within the last five (5) years (f) is not retained as professional adviser by that public company, any of its related companies or any of its substantial shareholders, either personally or through his firm (g) has not engaged and does not engage in any transaction with the corporation or with any of its related companies or with any of its substantial shareholders, whether by himself or with other persons or through a firm of which he is a partner or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arms length and are immaterial.

Independent directors are nominated and elected in the annual stockholders' meeting and each independent director issues a certification confirming his independence.

Does the company have a term limit of five consecutive years for independent directors? If after two years, the company wishes to bring back an independent director who had served for five years, does it limit the term for no more than four additional years? Please explain.

The Company complies with the SEC requirements on term limits for independent directors of a maximum of 5 consecutive years, subject to a 2-year cooling-off period, after which, he may be re-elected for another 5 consecutive years.

5) Changes in the Board of Directors (Executive, Non-Executive and Independent Directors)

(a) Resignation/Death/Removal

Indicate any changes in the composition of the Board of Directors that happened during the period:

Name	Position	Date of Cessation	Reason
No changes			

(b) Selection/Appointment, Re-election, Disqualification, Removal, Reinstatement and Suspension

Describe the procedures for the selection/appointment, re-election, disqualification, removal, reinstatement and suspension of the members of the Board of Directors. Provide details of the processes adopted (including the frequency of election) and the criteria employed in each procedure:

Procedure	Process Adopted	Criteria
<b>a. Selection/Appointment</b>		
(i) Executive Directors	The Board thru its Nomination Committee pre-screens the qualifications of all nominees to the Board of Directors. Afterward, the Committee prepare a final list of candidates.	<p>Qualifications of Directors: In addition to the qualifications for membership in the Board provided for in the Corporation Code, Securities Regulation Code and other relevant laws, the Board may provide for additional qualifications which include, among others, the following:</p> <ul style="list-style-type: none"> <li>i. College education or equivalent academic degree;</li> <li>ii. Practical understanding of the business of the Corporation;</li> <li>iii. Membership in good standing in relevant industry, business or professional organizations; and</li> <li>iv. Previous business experience.</li> </ul> <p>Additional qualifications for independent director:</p> <p>A candidate for independent director must be independent of management and free from any business or other relationship which could, or could reasonable be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director.</p> <p>He should satisfy the definition, possess the qualifications and none of the disqualifications as provided in Section 38 of the Securities Regulation Code.</p>
(ii) Non-Executive Directors	The Directors shall be elected by ballot at the annual meeting of the stockholders. Each shareholder, either in person or by proxy, shall be entitled to as many votes as he owns shares of stock. Cumulative voting shall be allowed for the election of board of directors in accordance with Section 24 of the Corporation Code. Section 24 provides that a stockholder, may vote such number of shares registered in his name as of the record date for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as he number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit. The total number of votes cast by such stockholder should not exceed the number of shares owned by him as shown in the books of the corporation multiplied by the whole number of directors to be elected. The Company complies with the requirements of SRC Rule 38 on the nomination and election of directors.	
(iii) Independent Directors		
<b>b. Re-appointment</b>		

(i) Executive Directors	Same process as selection/ appointment	Same criteria as selection/ appointment
(ii) Non-Executive Directors		
(iii) Independent Directors		
<b>c. Permanent Disqualification</b>		
(i) Executive Directors	Nomination Committee shall review and evaluate the qualifications of all persons nominated to the Board of Directors. The Committee shall pre-screen all nominees, considering the rules and issuances by the SEC and in conformity to the Company Manual on Corporate Governance.	<p>The following shall be grounds for the permanent disqualification of a director:</p> <p>a) Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that (a) involves the purchase or sale of securities, as defined in the Securities Regulation Code; (b) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or (c) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them;</p> <p>b) Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the Commission or any court or administrative body of competent jurisdiction from: (a) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (b) acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company; (c) engaging in or continuing any conduct or practice in any of the capacities mentioned in sub-paragraphs (a) and (b) above, or willfully violating the laws govern securities and banking activities. The disqualification shall also apply if such person is currently the subject of an order of the Commission or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code or any</p>
(ii) Non-Executive Directors		
(iii) Independent Directors		

		<p>other law administered by the Commission or Bangko Sentral ng Pilipinas (BSP), or under any rule or regulation issued by the Commission or BSP, or has otherwise been restrained to engage in any activity involving securities and banking; or such person is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member or participant of the organization;</p> <p>c) Any person convicted by final judgment or order by a court or competent administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts;</p> <p>d) Any person who has been adjudged by final judgment or order of the Commission, court, or competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Corporation Code, Securities Regulation Code or any other law administered by the Commission or BSP, or any of its rule, regulation or order;</p> <p>e) Any person earlier elected as independent director who becomes an officer, employee or consultant of the Corporation;</p> <p>f) Any person judicially declared as insolvent;</p> <p>g) Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of facts, violations or misconduct similar to any of the acts, violations or misconduct enumerated in sub-paragraphs (l) to (v) above;</p> <p>h) Conviction by final judgment of an offense punishable by imprisonment for more than six (6) years, or a violation of the Corporation Code committed within five (5) years prior</p>
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		to the date of his election or appointment.
<b>d. Temporary Disqualification</b>		
(i) Executive Directors	Nomination Committee shall review and evaluate the qualifications of all persons nominated to the Board of Directors. The Committee shall pre-screen all nominees, considering the rules and issuances by the SEC and in conformity to the Company Manual on Corporate Governance.	<p>The Board may provide for the temporary disqualification of a director for any of the following reasons:</p> <p>a) Refusal to comply with the disclosure requirements of the Securities Regulation Code and its implementing Rules and Regulations. The disqualification shall be in effect as long as the refusal persists.</p> <p>b) Absence in more than fifty (50) percent of all regular and special meetings of the Board during his incumbency, or any twelve (12) month period during the said incumbency, unless the absence is due to illness, death in the immediate family or serious accident. The disqualification shall apply for purposes of the succeeding election.</p> <p>c) Dismissal or termination for cause as director of any corporation covered by this Code. The disqualification shall be in effect until he has cleared himself from any involvement in the cause that gave rise to his dismissal or termination.</p> <p>d) If the beneficial equity ownership of an independent director in the Corporation or its subsidiaries and affiliates exceeds two percent (2%) of its subscribed capital stock. The disqualification shall be lifted if the limit is later complied with.</p> <p>e) If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final.</p> <p>A temporarily disqualified director shall, within sixty (60) business days from such disqualification, take the appropriate action to remedy or correct the qualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent.</p>
(ii) Non-Executive Directors		
(iii) Independent Directors		
<b>e. Removal</b>		

(i) Executive Directors		
(ii) Non-Executive Directors	Same process stated above for permanent disqualification.	Same criteria stated above for permanent disqualification.
(iii) Independent Directors		
<b>f. Re-instatement</b>		
(i) Executive Directors	Same process stated above for selection/appointment.	Same criteria stated above for selection/appointment.
(ii) Non-Executive Directors		
(iii) Independent Directors		
<b>g. Suspension</b>		
(i) Executive Directors	Same process stated above for temporary disqualification.	Same criteria stated above for temporary disqualification.
(ii) Non-Executive Directors		
(iii) Independent Directors		

#### Voting Result of the last Annual General Meeting

Name of Director	Votes Received
Elena S. Lim	1,410,434,000 votes
Susan L. Tan	
David S. Lim	
Jason S. Lim	
Vincent S. Lim	
Quintin Chua	
Luis-Maria Zabaljauregui	
Joseph Lim	
Beda Manalac	

#### 6) Orientation and Education Program

- (a) Disclose details of the company's orientation program for new directors, if any.

New directors are asked to attend the Corporate Governance Orientation Program conducted by Institute of Corporate Directors (ICD).

- (b) State any in-house training and external courses attended by Directors and Senior Management<sup>3</sup> for the past three (3) years:

Corporate Governance Orientation Program conducted by Institute of Corporate Directors  
SEC's Revised Code of Corporate Governance conducted by Center for Global Best Practices  
Enterprise Risk Management Seminar conducted by The Institute of Internal Auditors.

<sup>3</sup> Senior Management refers to the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the company.

- (c) Continuing education programs for directors: programs and seminars and roundtables attended during the year.

Name of Director/Officer	Date of Training	Program	Name of Training Institution
Quintin Chua	May 19 to 23, 2012 Oct. 17 to 19, 2013 Nov. 7 to 9, 2013	15th Credit Suisse Asia Investment Conference Skybridge Alternative Conference (SALT) 11 <sup>th</sup> Annual Morgan Stanley Asia Pacific Summit	Credit Suisse (Hong Kong) Limited Skybridge Capital Century 21 China Real Estate (IFM Investments Limited)
Susan L. Tan	Oct. 15 & 17, 2012	Enterprise Risk Management Seminar	The Institute of Internal Auditors
Vincent S. Lim	Oct. 15 & 17, 2012	Enterprise Risk Management Seminar	The Institute of Internal Auditors
Beda Manalac	Oct. 15 & 17, 2012	Enterprise Risk Management Seminar	The Institute of Internal Auditors
Lita Joaquin	Oct. 15 & 17, 2012	Enterprise Risk Management Seminar	The Institute of Internal Auditors
Mellina T. Corpuz	Nov. 27, 2012 Oct. 15 & 17, 2012 Oct. 23, 2012	SEC's Revised Code of Corporate Governance Enterprise Risk Management Seminar 2012 CEO Business Forum: The Road to 2015 ASEAN Economic Community	Center for Global Best Practices The Institute of Internal Auditors Punongbayan & Araullo

## B. CODE OF BUSINESS CONDUCT & ETHICS

- 1) Discuss briefly the company's policies on the following business conduct or ethics affecting directors, senior management and employees:

Business Conduct & Ethics	Directors	Senior Management	Employees
(a) Conflict of Interest	Director should act in the best interest of the Company in a manner characterized by transparency, accountability and fairness. He should avoid situations that may compromise his impartiality.	Senior Management do not tolerate conflict of interest. Managers who approve and implement incentive/ promotion programs for employees or customers shall not be entitled to such incentives unless disclosed and approved.	The Company does not tolerate conflict of interest. Employees are required to disclose possible areas of conflict of interest.
(b) Conduct of Business and Fair Dealings	Directors should conduct fair business transactions with the Company and ensure that his personal interest does not conflict with the interest of the Company.	Senior Management is honest and fair in dealing with Business Partners and Suppliers/Buyers and do not engage in bribery, extortion or corruption.	The Company is honest and fair in dealing with Business Partners and Suppliers/Buyers and do not engage in bribery, extortion or corruption.
(c) Receipt of gifts from third parties	Directors do not solicit or accept personal gifts from Suppliers/ Buyers. If given, gifts, incentive trips, or major raffle items won in corporate events are considered	Senior Management do not solicit or accept personal gifts from Suppliers/ Buyers. If given, gifts, incentive trips, or major raffle items won in corporate	Employees do not solicit or accept personal gifts from Suppliers/ Buyers. If given, gifts, incentive trips, or major raffle items won in corporate events are considered intended



	intended for the company and should be disclosed or surrendered.	events are considered intended for the company and should be disclosed or surrendered for management discretion.	for the company and should be disclosed or surrendered for management discretion.
(d) Compliance with Laws & Regulations	Directors should abide by government laws and regulations including payment of taxes and duties.	Senior Management abides by government laws and regulations including payment of taxes and duties.	Employees abide by government laws and regulations including payment of taxes and duties.
(e) Respect for Trade Secrets/Use of Non-public Information	Directors should keep secure and confidential all non-public information he may acquire or learn by reason of his position as director. He should not reveal confidential information to unauthorized persons without the authority of the Board.	Senior Management will maintain confidentiality of information including but not limited to legal suits, marketing strategies, financial data and other sensitive information.	Employees will maintain confidentiality of information including but not limited to legal suits, marketing strategies, financial data and other sensitive information.
(f) Use of Company Funds, Assets and Information	The Company prohibits Directors the use of company funds and assets without proper approval. Information should be treated with confidentiality and cannot be released without proper approval.	The Company prohibits Senior Management the use of company funds and assets without proper approval. Information should be treated with confidentiality and cannot be released without proper approval.	The Company prohibits Employees the use of company funds and assets without proper authorization. Information should be treated with confidentiality and cannot be released without proper approval.
(g) Employment & Labor Laws & Policies	Directors abide by labor laws and regulations especially on wages, health and safety in the workplace.	Senior Management abides by labor laws and regulations especially on wages, health and safety in the workplace.	Employees abide by labor laws and regulations especially on wages, health and safety in the workplace.
(h) Disciplinary action	Directors should abide the Company policy on disciplinary action.	Senior Management should abide the Company policy on disciplinary action.	Employees should abide the Company policy on disciplinary action.
(i) Whistle Blower	The Company has whistle blowing policy to aid in the discovery of fraud and to reinforce ethical behavior.	The Company has whistle blowing policy to aid in the discovery of fraud and to reinforce ethical behavior.	The Company has whistle blowing policy to aid in the discovery of fraud and to reinforce ethical behavior.
(j) Conflict Resolution	The Company initiates investigation which are confidential and conducted urgently and discreetly. Corrective actions are made after the investigation.	The Company initiates investigation which are confidential and conducted urgently and discreetly. Corrective actions are made after the investigation.	The Company initiates investigation which are confidential and conducted urgently and discreetly. Corrective actions are made after the investigation.

2) Has the code of ethics or conduct been disseminated to all directors, senior management and employees?

Yes. The Company Code of Ethics and Business Conduct has been disseminated to all directors, senior management and employees.

3) Discuss how the company implements and monitors compliance with the code of ethics or conduct.

The Company has Code of Ethics and Business Conduct and Whistle Blowing Policy. Under this Whistle Blowing policy, the Company has implemented ProActive Hotline Anonymous Reporting System to report fraud, waste, abuse or misconduct activities. The Company made a group-wide orientation and dissemination of the ProActive Hotline. The hotline is available online. Reports can also be made by text, calls and emails.

4) Related Party Transactions

(a) Policies and Procedures

Describe the company’s policies and procedures for the review, approval or ratification, monitoring and recording of related party transactions between and among the company and its parent, joint ventures, subsidiaries, associates, affiliates, substantial stockholders, officers and directors, including their spouses, children and dependent siblings and parents and of interlocking director relationships of members of the Board.

Related Party Transactions	Policies and Procedures
(1) Parent Company	<p>The Company obtains board approval for RPT. No contract or other transaction between the Company and any other corporation and no act of the Company shall in any way be affected or invalidated by the fact that any of the directors of the Company are pecuniarily or otherwise interested in, or are directors or officers, of such other corporation; any director individually, or any firm of which any director may be a member, may be a party to, or may be pecuniarily or otherwise interested in, any contract or transaction of the Company, provided that the fact that he or such firm is so interested shall be disclosed or shall have been known to the board of directors or a majority thereof; and any director of the Company who is also a director or officer of such corporation or who is interested may be counted in determining the existence of a quorum at any meeting of the board of directors of the Company which shall authorize any such contract or transaction and may vote thereat to authorize any such contract or transaction with like force and effect as if he were not such director or officer of such corporation or not so interested.</p> <p>A director should conduct fair business transactions with the Company, and ensure that his personal interest does not conflict with the interest of the Company.</p>
(2) Joint Ventures	NA; no joint venture.
(3) Subsidiaries	Same as with parent company.
(4) Entities Under Common Control	
(5) Substantial Stockholders	
(6) Officers including spouse/children/siblings/parents	
(7) Directors including spouse/children/siblings/parents	
(8) Interlocking director relationship of Board of Directors	

(b) Conflict of Interest

(i) Directors/Officers and 5% or more Shareholders

Identify any actual or probable conflict of interest to which directors/officers/5% or more shareholders may be involved.

	<b>Details of Conflict of Interest (Actual or Probable)</b>
Name of Director/s	Not Applicable
Name of Officer/s	Not Applicable
Name of Significant Shareholders	Not Applicable

(ii) Mechanism

Describe the mechanism laid down to detect, determine and resolve any possible conflict of interest between the company and/or its group and their directors, officers and significant shareholders.

	<b>Directors/Officers/Significant Shareholders</b>
Company	The Company obtains approval for transactions with directors/officers/significant shareholders. No contract or other transaction between the Company and any other corporation and no act of the Company shall in any way be affected or invalidated by the fact that any of the directors of the Company are pecuniarily or otherwise interested in, or are directors or officers, of such other corporation; any director individually, or any firm of which any director may be a member, may be a party to, or may be pecuniarily or otherwise interested in, any contract or transaction of the Company, provided that the fact that he or such firm is so interested shall be disclosed or shall have been known to the board of directors or a majority thereof; and any director of the Company who is also a director or officer of such corporation or who is interested may be counted in determining the existence of a quorum at any meeting of the board of directors of the Company which shall authorize any such contract or transaction and may vote thereat to authorize any such contract or transaction with like force and effect as if he were not such director or officer of such corporation or not so interested.  RPT are fully disclosed in the notes to financial statements.
Group	

5) Family, Commercial and Contractual Relations

(a) Indicate, if applicable, any relation of a family,<sup>4</sup> commercial, contractual or business nature that exists between the holders of significant equity (5% or more), to the extent that they are known to the company:

<b>Names of Related Significant Shareholders</b>	<b>Type of Relationship</b>	<b>Brief Description of the Relationship</b>
Elena S. Lim	Family	Married to Joseph Lim
Joseph Lim	Family	Married to Elena Lim
Susan L. Tan	Family	Daughter of Joseph and Elena Lim

<sup>4</sup> Family relationship up to the fourth civil degree either by consanguinity or affinity.

David S. Lim	Family	Son of Joseph and Elena Lim
Jason S. Lim	Family	Son of Joseph and Elena Lim
Vincent S. Lim	Family	Son of Joseph and Elena Lim

- (b) Indicate, if applicable, any relation of a commercial, contractual or business nature that exists between the holders of significant equity (5% or more) and the company:

Names of Related Significant Shareholders	Type of Relationship	Brief Description
AV Value Holdings Corp.	Business	Solid Broadband Corp. (SBC), a wholly owned subsidiary of the Company, bills Destiny Cable Inc. (DCI), a subsidiary of AV Value Holdings Corp., a fee per subscriber for the use of the cable infrastructure. In May 2012, SBC sold the broadband assets to Sky Cable Corporation and the billings to DCI were stopped.
Lim, David S.	Business	Solid Manila Finance Inc. (SMFI), a wholly owned subsidiary of the Company, grants business loans to Avid Sales Corp., AA Export and Import Corp., AA Marine Development Corp., Philippine Prawn, Inc., Baybayan Farm, Inc. and Kawayan Farm, Inc., companies where Mr. David Lim holds an ownership.
Lim, David S.	Business	Solid Video Corp. (SVC), a wholly owned subsidiary of the Company, earns commission from Solid Trading Ltd. (STL), a company where Mr. David Lim holds an ownership.
Lim, David S.	Business	My Solid Technologies & Devices Corp., a wholly owned subsidiary of the Company, purchases mobile phones from STL, a company where Mr. David Lim holds an ownership.
Lim, David S.	Business	Brilliant Reach Ltd., a wholly owned subsidiary of the Company, granted an unsecured, interest-bearing loan to Solid Company Ltd. (SCL), a company where Mr. David Lim holds an ownership.
Lim, David S.	Business	Fil-Dragon, 51% owned by the Company, obtained loans from companies owned by SCL, a company where Mr. David Lim holds an ownership.

- (c) Indicate any shareholder agreements that may impact on the control, ownership and strategic direction of the company:

Name of Shareholders	% of Capital Stock affected (Parties)	Brief Description of the Transaction
Not applicable; the Company has no shareholder agreements.		

6) Alternative Dispute Resolution

Describe the alternative dispute resolution system adopted by the company for the last three (3) years in amicably settling conflicts or differences between the corporation and its stockholders, and the corporation and third parties, including regulatory authorities.

Alternative Dispute Resolution System	
Corporation & Stockholders	The Company's manual on corporate governance provides that the board shall establish and maintain an alternative dispute resolution system in the Company that can amicably settle conflicts or differences between the Corporation and its stockholders, and the Corporation and third parties, including the regulatory authorities.
Corporation & Third Parties	
Corporation & Regulatory Authorities	

### C. BOARD MEETINGS & ATTENDANCE

- 1) Are Board of Directors' meetings scheduled before or at the beginning of the year?

They are scheduled before the meeting.

- 2) Attendance of Directors

Board	Name	Date of Election	No. of Meetings Held during the year	No. of Meetings Attended	%
Chairman	Susan L. Tan	June 28, 2012	4	4	100
Member	Elena S. Lim	June 28, 2012	4	4	100
Member	David S. Lim	June 28, 2012	4	4	100
Member	Jason S. Lim	June 28, 2012	4	4	100
Member	Vincent S. Lim	June 28, 2012	4	4	100
Member	Joseph Lim	June 28, 2012	4	3	75
Member	Beda Manalac	June 28, 2012	4	4	100
Independent	Quintin Chua	June 28, 2012	4	4	100
Independent	Luis Maria L. Zabaljauregui	June 28, 2012	4	4	100

- 3) Do non-executive directors have a separate meeting during the year without the presence of any executive? If yes, how many times? None.

- 4) Is the minimum quorum requirement for Board decisions set at two-thirds of board members? Please explain.

No. A majority of the entire number of directors present shall constitute a quorum for the transaction of all business. Action or decision of the Board shall be taken only upon the affirmative vote of a majority of the directors present; unless the Corporation Code or the Company By-Laws require the vote of a greater number.

- 5) Access to Information

- a. How many days in advance are board papers<sup>5</sup> for board of directors meetings provided to the board? 3 days.

- b. Do board members have independent access to Management and the Corporate Secretary?

Yes

- c. State the policy of the role of the company secretary. Does such role include assisting the Chairman in preparing the board agenda, facilitating training of directors, keeping directors updated regarding any relevant statutory and regulatory changes, etc?

Yes. The Corporate Secretary shall be a Filipino citizen and a resident of the Philippines and an officer of the corporation. He shall be responsible for the safekeeping and preservation of the integrity of the minutes of the meeting of the Board and its committees. He shall work fairly and objectively with

<sup>5</sup> Board papers consist of complete and adequate information about the matters to be taken in the board meeting. Information includes the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.

the Board, Management and stockholders, inform the members of the board, in accordance to the by-laws of the agenda of their meetings and ensure that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval, ensure that all board procedures, rules and regulations are strictly followed by the members and keep them updated regarding relevant statutory and regulatory changes.

- d. Is the company secretary trained in legal, accountancy or company secretarial practices? Please explain should the answer be in the negative.

Yes.

- e. Committee Procedures

Disclose whether there is a procedure that Directors can avail of to enable them to get information necessary to be able to prepare in advance for the meetings of different committees:

Yes  No

Committee	Details of the procedures
Executive	Not applicable; no executive committee.
Audit	Directors are given access to management. They can obtain information, including background, explanation, disclosure, budgets, forecasts and internal financial documents.
Nomination	
Remuneration	
Others (specify)	NA

#### 6) External Advice

Indicate whether or not a procedure exists whereby directors can receive external advice and, if so, provide details:

Procedures	Details
The Company's Manual on Corporate Governance provides that directors have access to independent professional advice at the Company's expense, such as seeking legal advice and/ or opinion.	The director can consult the Corporate Secretary, outside counsel or the external auditor.

#### 7) Change/s in existing policies

Indicate, if applicable, any change/s introduced by the Board of Directors (during its most recent term) on existing policies that may have an effect on the business of the company and the reason/s for the change:

Existing Policies	Changes	Reason
Not applicable: no significant changes on policies.		

### D. REMUNERATION MATTERS

#### 1) Remuneration Process

Disclose the process used for determining the remuneration of the CEO and the four (4) most highly compensated management officers:

Process	CEO	Top 4 Highest Paid Management Officers
(1) Fixed remuneration	Company salary structure. Adjustments are approved by the Board.	
(2) Variable remuneration		

(3) Per diem allowance	None
(4) Bonus	Approved bonus per company policy.
(5) Stock Options and other financial instruments	None
(6) Others (specify)	None

2) Remuneration Policy and Structure for Executive and Non-Executive Directors

Disclose the company's policy on remuneration and the structure of its compensation package. Explain how the compensation of Executive and Non-Executive Directors is calculated.

	Remuneration Policy	Structure of Compensation Packages	How Compensation is Calculated
Executive Directors	Based on company salary structure.	Fixed compensation and variable amount and bonus based on approved company policy.	Monthly salary is divided by 26.08 to arrive at daily rate which is used for benefits and leave conversions.
Non-Executive Directors	Non-executive director and independent director receive fixed amount (P30,000- net of taxes) per meeting participation.		

Do stockholders have the opportunity to approve the decision on total remuneration (fees, allowances, benefits-in-kind and other emoluments) of board of directors? Provide details for the last three (3) years.

Yes

Remuneration Scheme	Date of Stockholders' Approval
There has been no change in remuneration policy and scheme in the last three years which would require stockholders' approval.	

3) Aggregate Remuneration

Complete the following table on the aggregate remuneration accrued during the most recent year:

Remuneration Item	Executive Directors	Non-Executive Directors (other than independent directors)	Independent Directors
(a) Fixed Remuneration	13,244,875	1,440,000	-
(b) Variable Remuneration	8,089,941	-	-
(c) Per diem Allowance	-	176,471	402,614
(d) Bonuses	2,239,061	-	-
(e) Stock Options and/or other financial instruments	-	-	-
(f) Others (Specify)	-	-	-
<b>Total</b>	<b>23,573,877</b>	<b>1,616,471</b>	<b>402,614</b>

Other Benefits	Executive Directors	Non-Executive Director (other than independent directors)	Independent Directors
1) Advances	None	None	
2) Credit granted	None	None	
3) Pension Plan/s Contributions	Included as part of the Company's contribution	None	
(d) Pension Plans, Obligations incurred	Included as part of the Company's contribution	None	
(e) Life Insurance Premium	The Company paid premium on life insurance policy of its key officers. However, the Company is also the main beneficiary.	None	
(f) Hospitalization Plan	Included as part of the Company's health plan.	None	
(g) Car Plan	The Company provides car to its executive directors.	None	
(h) Others (Specify)		None	
<b>Total</b>			

4) Stock Rights, Options and Warrants

(a) Board of Directors

Complete the following table, on the members of the company's Board of Directors who own or are entitled to stock rights, options or warrants over the company's shares:

Director's Name	Number of Direct Option/Rights/Warrants	Number of Indirect Option/Rights/Warrants	Number of Equivalent Shares	Total % from Capital Stock
Not Applicable; There are no outstanding stock rights, options or warrants.				

(b) Amendments of Incentive Programs

Indicate any amendments and discontinuation of any incentive programs introduced, including the criteria used in the creation of the program. Disclose whether these are subject to approval during the Annual Stockholders' Meeting:

Incentive Program	Amendments	Date of Stockholders' Approval
Not applicable; the Company has no amendments or discontinuation of incentive program.		

5) Remuneration of Management

Identify the five (5) members of management who are not at the same time executive directors and indicate the total remuneration received during the financial year:



Name of Officer/Position	Total Remuneration
Senior management as a group (includes the following officers: Lita L. Joaquin/ VP & Treasurer, Mellina T. Corpuz/ VP & Chief Accounting Officer, Roberto V. San Jose/ Corporate Secretary, Ana Maria A. Katigbak-Lim/ Assistant Corporate Secretary	P4,009,048

## E. BOARD COMMITTEES

### 1) Number of Members, Functions and Responsibilities

Provide details on the number of members of each committee, its functions, key responsibilities and the power/authority delegated to it by the Board:

Committee	No. of Members			Committee Charter	Functions	Key Responsibilities	Power
	Executive Director (ED)	Non-executive Director (NED)	Independent Director (ID)				
Executive	NA; the Company has no executive committee						
Audit	2	-	2	Audit Committee Charter	Assists the Board in its oversight responsibility for the financial reporting process, system of internal control, audit process and monitoring of compliance with applicable laws, rules and regulations.	Key responsibilities are :  (1) Financial Statements - Review significant accounting and reporting issues and recent regulatory pronouncements and understand their impact on the financial statements.  (2) Internal Control – monitor and evaluate the adequacy and effectiveness of the Company's internal control system, including financial reporting control and information technology security  (3) Internal Audit – review the charter, annual internal audit plans to ensure its conformity with the objectives of the Company  (4) External Audit – review the appointment of an independent external auditor, the audit fees and any question of resignation or dismissal, if any.  (5) Others- Report to the Board significant / critical compliance issues.	The Committee is empowered to conduct or authorize investigations into any matter within its scope of responsibility and seek any information it requires, as necessary.
Nomination	2	-	1	No charter	Reviews and evaluates the	Implement a process for the	The Committee is empowered

					qualifications of all persons nominated to the Board and other appointments for Board's approval and assess the effectiveness of the Board's processes and procedures or replacement of directors.	selection of directors who can add value and contribute independent judgment to the formulation of sound corporate strategies and policies, appoint competent professional, honest and highly motivated management officers and adopt an effective succession planning program for the management.	to enforce and administer the Nomination procedures of the Company.
Remuneration	3	-	1	No charter	To establish a formal and transparent procedure for developing policy on remuneration of directors and officers.	Establish a system with sufficient levels of remuneration to be able to attract and retain the services of qualified and competent directors and officers with a portion of the remuneration of executive directors to be structured or based on corporate and individual performance.	Develop policy on executive remuneration and compensation packages based on formal and transparent procedures or determine remuneration levels for individual directors and officers depending on the particular needs of the Corporation.
Others (specify) Risk Management	3	-	1	No charter	To oversee the identification, measurement, monitoring and controlling of the Company's principal business risks.	Identify risk areas and performance indicators and monitor these factors with due diligence to enable the Corporation to anticipate and prepare for possible threats to its operational and financial viability.	The Committee has an oversight role on the company's risk management program and after reviewing and evaluating, makes recommendation to the Board for approval on matters relating to risk management.

2) Committee Members

(a) Executive Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Not applicable; the company has no executive committee.					
Member (ED)						
Member (NED)						
Member (ID)						
Member						

(b) Audit Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Luis Maria L. Zabaljauregui	June 28, 2012	7	7	100	1
Member (ED)	Vincent S. Lim	June 28, 2012	7	7	100	1
Member (ED)	Susan L. Tan	June 28, 2012	7	7	100	1
Member (NED)	-					
Member (ID)	Quintin Chua	June 28, 2012	7	7	100	1
Member	Mellina T. Corpuz	June 28, 2012	7	7	100	1

Disclose the profile or qualifications of the Audit Committee members.

Mr. Luis-Maria L. Zabaljauregui is currently consultant of Roxas Holdings Inc. He was Executive Vice President of Leyte Agri Corporation from 2001 up to 2003. He was vice President and Resident Manager of Central Azucarera de la Carlota, Inc. from January 2004 to June 2008. He was Vice-President – Ethanol Project of Central Azucarera de la Carlota, Inc. effective July 2008 up to June 2011. He has business experience for more than five (5) years.

Mr. Vincent S. Lim holds a Bachelor of Science in Business Administration from the Philippine School of Business Administration. He is Sr. Vice President and Chief Financial Officer since September 2010 and was Sr. Vice President for Finance and Investments since June 2006 up to September 2010. He was Sr. VP and Chief Financial Officer from May 2002 up to June 2006. He was VP/ Chief Financial Officer from 1996 up to May 2002. He has also been VP Finance, Treasurer and Corporate Secretary for Solid Corporation for more than five years and is also VP Finance and Treasurer for Solid Laguna Corporation and Solid Distributors, Inc., Solid Electronics Corporation, Kita Corporation, Solid Video Corporation and Solid Manila Corporation. He has business experience for more than five (5) years.

Ms. Susan L. Tan has Bachelor of Science in Mathematics (Cum Laude) from the University of the Philippines. She is Chairman of the Board since May 2001. She was Vice President of the Company from April 1999 to April 2001. She was Chief Operating Officer of the Company since 1996 up to March 1999. She is currently President of Solid Laguna Corporation and Solid Corporation and is also Managing Director of Solid Electronics Corporation and Solid Video Corporation. She is Director of Sony Philippines Inc. since 1997 up to the present. She has business experience for more than five (5) years.

Mr. Quintin Chua has Bachelor of Science in Business Administration, major in Economics from Philippine School of Business Administration. He is the Chairman and Managing Director of Quantum Capital Management, Inc. (formerly QC Investments Pty. Ltd) and Chairman and President of Nature's Harvest Corp. He has business experience for more than five (5) years.

Mellina T. Corpuz has Bachelor of Science in Commerce from University of San Carlos Cebu City and is a Certified Public Accountant. She is the Chief Accounting Officer effective June 2006. Prior to that, she was

the Senior Accounting Manager since 2002 and was the Accounting Manager since 1996. She has business experience for more than five (5) years.

Describe the Audit Committee's responsibility relative to the external auditor.

The Audit Committee performs oversight function over the Company's external auditor. It ensures that external auditors act independently from the internal auditor of the Company and that the auditor are given unrestricted access to all records, properties and personnel to enable them to perform their audit function.

(c) Nomination Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Susan L. Tan	June 28, 2012	1	1	100	1
Member (ED)	Vincent S. Lim	June 28, 2012	1	1	100	1
Member (NED)	-					
Member (ID)	Luis Maria L. Zabaljauregui	June 28, 2012	1	1	100	1
Member	Mellina T. Corpuz	June 28, 2012	1	1	100	1

(d) Remuneration Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Vincent S. Lim	June 28, 2012	1	1	100	1
Member (ED)	Susan L. Tan	June 28, 2012	1	1	100	1
Member (ED)	Jason S. Lim	June 28, 2012	1	1	100	1
Member (NED)	-					
Member (ID)	Quintin Chua	June 28, 2012	1	1	100	1
Member	-					

(e) Others (Specify)

Risk Management Committee

Provide the same information on all other committees constituted by the Board of Directors:

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Quintin Chua	June 28, 2012	1	1	100	1
Member (ED)	David S. Lim	June 28, 2012	1	1	100	1
Member (ED)	Jason S. Lim	June 28, 2012	1	1	100	1
Member (ED)	Beda T. Manalac	June 28, 2012	1	1	100	1
Member (NED)	-					
Member (ID)	-					
Member	Ericson B. Salvador	June 28, 2012	1	1	100	1

3) Changes in Committee Members

Indicate any changes in committee membership that occurred during the year and the reason for the changes:

Name of Committee	Name	Reason
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Executive	Not applicable; the Company has no executive committee.	
Audit	Current Chairman is Luis Maria L. Zabaljauregui (previously was Quintin Chua).	Observance of good corporate governance
Nomination	Current Chairman is Susan L. Tan (previously was Vincent S. Lim). Current Vice Chairman is Luis Maria L. Zabaljauregui (previously was Quintin Chua).	Observance of good corporate governance
Remuneration	Current Chairman is Vincent S. Lim (previously was Susan L. Tan) . Current Vice Chairman is Susan L. Tan (previously was Vincent S. Lim.) Current Member is Quintin Chua (previously was Luis Maria L. Zabaljauregui).	Observance of good corporate governance
Others (specify) Risk Management	Current Chairman is Quintin (previously was Chua Luis Maria L. Zabaljauregui).	Observance of good corporate governance

#### 4) Work Done and Issues Addressed

Describe the work done by each committee and the significant issues addressed during the year.

Name of Committee	Work Done	Issues Addressed
Executive	NA; The Company has no executive committee.	
Audit	Assisted the board in the performance of its oversight responsibility for financial reporting process, system of internal control, audit process and monitoring of compliance with applicable laws, rules and regulations. Review of quarterly reports and annual audited FS prior to submission to the board. Review the appointment/ approval of external auditor. Review and approval of internal audit plans.	Compliance to rules and regulations and reporting deadlines.
Nomination	Reviewed and evaluated the qualifications of candidates nominated to the Board and other appointments that require Board approval. Recommended appointment and approval of directors and officers.	None
Remuneration	Established a formal procedure for developing a policy on compensation of directors and officers.	None
Others (specify) Risk management	Assisted the Board to oversee the identification, measurement, monitoring and controlling of the Company's principal business risk. Created awareness of risk management through Enterprise Risk Management Seminar.	Asset impairment and obsolescence. Credit risk on receivables.

#### 5) Committee Program

Provide a list of programs that each committee plans to undertake to address relevant issues in the improvement or enforcement of effective governance for the coming year.

Name of Committee	Planned Programs	Issues to be Addressed
Executive	Not applicable; the Company has no executive committee.	
Audit	Amendment of the Audit Committee Charter.	Compliance to SEC Audit Committee self-assessment form.
Nomination	Succession planning of Company directors and officers.	Implement formal process for effective succession planning program for management.
Remuneration	Annual update of formal policy on compensation structure and benefits.	None
Others (specify) Risk Management	Formal policy on credit setting and limits. Setting of shared services for accounting and financial transactions.	Formulate a formal and transparent policy on credit risk assessments and setting of credit limits. Create a team to monitor the migration of accounting and other financial transactions.

## F. RISK MANAGEMENT SYSTEM

### 1) Disclose the following:

#### (a) Overall risk management philosophy of the company;

The Board and Management believe that risk management is an integral part of corporate planning. It is a process to identify, measure, monitor and manage uncertainty.

#### (b) A statement that the directors have reviewed the effectiveness of the risk management system and commenting on the adequacy thereof;

The Directors had no formal written statement about the review of the risk management system. However, the Company and its subsidiaries identify the major risks of the businesses by assessing the business environment in which they operate. Major risks and threats are addressed through the corporate planning process, which defines appropriate strategic directions and actions to be taken. These directions and actions are managed by regular audit and management review of the operations and financial results of the Company and its subsidiaries. Significant issues, which may arise as a result of the management review, are then presented to Board for corrective action/ resolution.

#### (c) Period covered by the review; 2012

#### (d) How often the risk management system is reviewed and the directors' criteria for assessing its effectiveness; and

Review is conducted yearly during the corporate planning process. The criteria for assessing its effectiveness is through use of benchmarking such as industry practices and best practices provided by experts.

#### (e) Where no review was conducted during the year, an explanation why not. – Not applicable; annual review is conducted.

### 2) Risk Policy

#### (a) Company

Give a general description of the company's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

Risk Exposure	Risk Management Policy	Objective
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Compliance	Annual tax planning and review. Tax training and hiring tax consultants	Ensure timely submission and accurate information.
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(b) Group

Give a general description of the Group's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

Risk Exposure	Risk Management Policy	Objective
Market competition	Continuous market research on trends and products.	Maximize available opportunities in the market.
Rapid technology changes which may cause inventory obsolescence.	The Company will set reasonable inventory levels considering market demands.	Effective management of inventory levels to limit product obsolescence.
Compliance	Annual tax planning and review. Tax training and hiring tax consultants	Ensure timely submission and accurate information.
Credit exposure	Formal policy on credit setting and limits.	Implement a formal and transparent policy on credit risk assessments and setting of credit limits.
Legal exposure	Review of contracts by in house or outside counsel. Approval of contracts by management.	Limit legal exposure and ensure compliance to laws.

(c) Minority Shareholders

Indicate the principal risk of the exercise of controlling shareholders' voting power.

Risk to Minority Shareholders
Although there is a risk on the exercise of the controlling shareholder's voting power to their advantage, the Board is committed to good corporate governance. The Board shall respect the rights of the stockholders as provided for in the Company's articles of incorporation, by-laws and the Corporation Code. A director should conduct fair business transactions with the Company, and ensure that his personal interest does not conflict with the interest of the Company.
Although all stockholders should be treated equally or without discrimination, minority stockholders may request in writing the holding of a meeting, subject to the requirement under the by-laws that such requesting stockholder is the holder of record of not less than one-third of the subscribed and voting capital stock of the Corporation.

3) Control System Set Up

(a) Company

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
Compliance to laws, rules and regulations	Risk rating based on impact and probability (high to low)	Install compliance and monitoring team.

(b) Group

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

<b>Risk Exposure</b>	<b>Risk Assessment (Monitoring and Measurement Process)</b>	<b>Risk Management and Control (Structures, Procedures, Actions Taken)</b>
Market competition	High	Close tie-up with technology principal.
Rapid technology changes which may cause inventory obsolescence.	High	Management of inventory levels to limit product obsolescence.
Compliance to laws, rules and regulations	High to low	Annual tax planning and review. Monitor compliance to law, rules and regulations
Credit exposure	High	Implement a formal and transparent policy on credit risk assessments and setting of credit limits.
Legal exposure	Medium	Review of contracts by in house or outside counsel. Approval of contracts by management.

(c) Committee

Identify the committee or any other body of corporate governance in charge of laying down and supervising these control mechanisms, and give details of its functions:

<b>Committee/Unit</b>	<b>Control Mechanism</b>	<b>Details of its Functions</b>
Audit Committee	Assisted the board in the performance of its oversight responsibility for financial reporting process, system of internal control, audit process and monitoring of compliance with applicable laws, rules and regulations.	Ensures/ monitors compliance to financial reporting process, internal control and to laws, rules and regulations.
Risk Management Committee	Assisted the Board to oversee the identification, measurement, monitoring and controlling of the Company's principal business risk.	Oversees that the risk management process are implemented as part of corporate planning.

## G. INTERNAL AUDIT AND CONTROL

### 1) Internal Control System

Disclose the following information pertaining to the internal control system of the company:

(a) Explain how the internal control system is defined for the company;

The Company is in a non-COSO environment wherein internal control systems are established/ categorized based on four functions: organizing, planning, directing and controlling. Although policies are set by the Board, Management is primarily responsible for the design and implementation of the internal control system of the Company. The Audit Committee evaluates and monitors the adequacy and effectiveness of the internal control system of the Company.

(b) A statement that the directors have reviewed the effectiveness of the internal control system and whether they consider them effective and adequate;



The directors had no formal written statement on the review of the effectiveness of the internal control system but had conducted review during corporate planning and budget meetings and external audit planning.

(c) Period covered by the review;

2012

(d) How often internal controls are reviewed and the directors' criteria for assessing the effectiveness of the internal control system; and

Review is conducted twice a year. The criteria for assessing the effectiveness of the internal control system are: compliance with laws, regulations, contracts and internal policies; achievement of strategic objectives; reliable financial reporting; effective operations; and safeguarding of assets.

(e) Where no review was conducted during the year, an explanation why not.

Not applicable; review is conducted.

## 2) Internal Audit

(a) Role, Scope and Internal Audit Function

Give a general description of the role, scope of internal audit work and other details of the internal audit function.

Role	Scope	Indicate whether In-house or Outsource Internal Audit Function	Name of Chief Internal Auditor/Auditing Firm	Reporting process
Evaluate and provide reasonable assurance.	Governance, risk management and internal control	In-house	Ericson Salvador	Reporting to the Audit Committee
Consulting	Governance, risk management and internal control	In-house	Ericson Salvador	Reporting to the Audit Committee
Anti-fraud programs	Fraud	In-house	Ericson Salvador	Reporting to the Audit Committee

(b) Do the appointment and/or removal of the Internal Auditor or the accounting /auditing firm or corporation to which the internal audit function is outsourced require the approval of the audit committee?

Yes

(c) Discuss the internal auditor's reporting relationship with the audit committee. Does the internal auditor have direct and unfettered access to the board of directors and the audit committee and to all records, properties and personnel?

Yes, this is stated in the Internal Audit Charter as approved by the Audit Committee.

(d) Resignation, Re-assignment and Reasons

Disclose any resignation/s or re-assignment of the internal audit staff (including those employed by the third-party auditing firm) and the reason/s for them.

Name of Audit Staff	Reason
Jerryco B. Camarista	Resignation/ transfer to another company

(e) Progress against Plans, Issues, Findings and Examination Trends

State the internal audit's progress against plans, significant issues, significant findings and examination trends.

<b>Progress Against Plans</b>	Conducted audit on 1 of 6 auditee companies in the Group.
<b>Issues<sup>6</sup></b>	Compliance issues
<b>Findings<sup>7</sup></b>	No critical findings
<b>Examination Trends</b>	Decrease

[The relationship among progress, plans, issues and findings should be viewed as an internal control review cycle which involves the following step-by-step activities:

- 1) Preparation of an audit plan inclusive of a timeline and milestones;
- 2) Conduct of examination based on the plan;
- 3) Evaluation of the progress in the implementation of the plan;
- 4) Documentation of issues and findings as a result of the examination;
- 5) Determination of the pervasive issues and findings ("examination trends") based on single year result and/or year-to-year results;
- 6) Conduct of the foregoing procedures on a regular basis.]

(f) Audit Control Policies and Procedures

Disclose all internal audit controls, policies and procedures that have been established by the company and the result of an assessment as to whether the established controls, policies and procedures have been implemented under the column "Implementation."

<b>Policies &amp; Procedures</b>	<b>Implementation</b>
Compliance with SGI Code of Ethics and Policies	Fully implemented.
Adopt and comply with ISPPIA Standards and Code of Ethics	Partially implemented/ on-going.
Performance appraisal	Fully implemented

(g) Mechanisms and Safeguards

State the mechanism established by the company to safeguard the independence of the auditors, financial analysts, investment banks and rating agencies (example, restrictions on trading in the company's shares and imposition of internal approval procedures for these transactions, limitation on the non-audit services that an external auditor may provide to the company):

<b>Auditors (Internal and External)</b>	<b>Financial Analysts</b>	<b>Investment Banks</b>	<b>Rating Agencies</b>
The Company complies with the Manual on Corporate Governance (CG) on the appointment of internal auditor. The Audit Committee ensures that in the performance of the work of the internal auditor, he shall be free from interference by outside parties. and that he be given unrestricted access to all records, properties and personnel to enable them	There are no independence concerns with financial analysts, investment banks and rating agencies.		
The Company complies with SEC rules	There are no independence concerns with financial		

<sup>6</sup> "Issues" are compliance matters that arise from adopting different interpretations.

<sup>7</sup> "Findings" are those with concrete basis under the company's policies and rules.

<p>on selection of external auditor and with the Company's Manual on CG on the rotation of the auditors or signing partners. External auditors also are not allowed non-audit work.</p> <p>The Audit Committee ensures that the internal and external auditors act independently from the other and that each be given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions.</p>	<p>analysts, investment banks and rating agencies.</p>
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(h) State the officers (preferably the Chairman and the CEO) who will have to attest to the company's full compliance with the SEC Code of Corporate Governance. Such confirmation must state that all directors, officers and employees of the company have been given proper instruction on their respective duties as mandated by the Code and that internal mechanisms are in place to ensure that compliance.

The Chairman, President and CEO attest to the Company's full compliance with SEC Code of Corporate Governance. All its directors, officers and employees undertake to comply with the Code and or the Company's Manual of Corporate Governance and that internal mechanisms are in place to ensure compliance.

#### H. ROLE OF STAKEHOLDERS

1) Disclose the company's policy and activities relative to the following:

	Policy	Activities
Customers' welfare	The Company gives priority to the Customers and attend to their needs and complaints promptly and cheerfully.	The Customer Welfare Desk of Solid Electronics Corporation was accredited by Department of Trade and Industry. This accepts the calls of the customers as well as their complaints.
Supplier/contractor selection practice	The Company is honest and fair in dealing with Business Partners and Suppliers and we do not engage in bribery, extortion or corruption.	The Company ensures that canvassing of at least 3 suppliers is made prior to selection and awarding of suppliers.
Environmentally friendly value-chain	The Company advocates Energy Conservation and Environment Protection.	The Company participated as sponsor in the 2012 Miss Earth pageant.
Community interaction	The Company contribute to social causes and humanitarian concerns.	The Company will donate 60 school houses or my school in cooperation with Ninoy and Cory Foundation (NCAF) all over the country for a 5 year period. The advocacy started in 2011 and the Company had built 6 my school as of May 2013.
Anti-corruption programmes and procedures	The Company advocate responsible citizenship and practice Christian values but do not participate in partisan political activities.	The Company participated in ABS-CBN's Boto Mo Ipatrol Mo : Tayo Na (BMPM) Campaign. This is a campaign for a clean and fair election.

Safeguarding creditors' rights	The Company advocate and practice fair trade and competition.	The Company ensures that creditors and suppliers are paid in full and on a timely basis.
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2) Does the company have a separate corporate responsibility (CR) report/section or sustainability report/section? None.

3) Performance-enhancing mechanisms for employee participation.

(a) What are the company's policy for its employees' safety, health, and welfare?

The Company is committed to provide a workplace where employees are respected, satisfied and appreciated.

(b) Show data relating to health, safety and welfare of its employees.

None

(c) State the company's training and development programmes for its employees. Show the data.

The Company sends its employees to outside and in-house training.

(d) State the company's reward/compensation policy that accounts for the performance of the company beyond short-term financial measures.

The Company has a compensation structure sufficient to attract and retain employees. The level of compensation of the employees is based on a fixed remuneration and also on individual and company performance subject to annual review.

4) What are the company's procedures for handling complaints by employees concerning illegal (including corruption) and unethical behaviour? Explain how employees are protected from retaliation.

The Company has a Whistle Blowing Policy. The policy encourages employees to raise complaints or report information on any misconduct or fraud including illegal and unethical behavior committed by employees and other stakeholders. Also, under the policy, identities of the employees and other stakeholders are properly protected.

## I. DISCLOSURE AND TRANSPARENCY

1) Ownership Structure

(a) Holding 5% shareholding or more

As of December 31, 2012

Shareholder	Number of Shares	Percent	Beneficial Owner
AA Commercial, Inc.	583,377,817	32.03	Vincent S. Lim (Treasurer of AA Commercial, Inc.)
AV Value Holdings Corporation	499,999,999	27.45	David S. Lim (President of AV Value Holdings Corporation)
PCD Nominee Corporation(F)	326,610,742	17.93	Various stockholders
David S. Lim	179,488,591	9.85	David S. Lim

Name of Senior Management	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Elena S. Lim	1,894	-	-
		7,300,000/ (thru Christopher James Tan)	

Susan L. Tan	78,645		0.41
David S. Lim	179,488,591	499,999,999/ (thru AV Value Holdings Corp.) 5,000,000/ (thru Julia C.C. Lim)	37.58
Jason S. Lim	65,176,160	-	3.58
Vincent S. Lim	71,887,187	583,377,817/ (thru AA Commercial Inc.) 5,996,000/ (thru Michael Jordan T. Lim)	36.30
Beda T. Manalac	1,001	-	-
Lita Joaquin	7,010,000		0.38
Roberto San Jose	242,000		0.01
<b>TOTAL</b>	<b>323,885,478</b>	<b>1,101,673,816</b>	<b>78.26</b>

2) Does the Annual Report disclose the following:

Key risks	Yes
Corporate objectives	No
Financial performance indicators	Yes
Non-financial performance indicators	Yes
Dividend policy	No
Details of whistle-blowing policy	No
Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of directors/commissioners	Yes
Training and/or continuing education programmes attended by each director/commissioner	No
Number of board of directors/commissioners meetings held during the year	No
Attendance details of each director/commissioner in respect of meetings held	No
Details of remuneration of the CEO and each member of the board of directors/commissioners	Yes

Should the Annual Report not disclose any of the above, please indicate the reason for the non-disclosure.

Some of the items above were not disclosed in the annual report since they are not required. However, the attendance details of each director in respect to meetings held were reported or disclosed in SEC Form 17-C.

3) External Auditor's fee

Name of auditor	Audit Fee	Non-audit Fee
Punongbayan & Araullo	P5 million	P 404 thousand
Grant Thornton Hong Kong Limited	HK\$274,000	none

4) Medium of Communication

List down the mode/s of communication that the company is using for disseminating information.  
Company website, mailing of information statement to shareholders

5) Date of release of audited financial report: April 30, 2013

6) Company Website

Does the company have a website disclosing up-to-date information about the following?

Business operations	Yes
Financial statements/reports (current and prior years)	Yes
Materials provided in briefings to analysts and media	NA
Shareholding structure	Yes
Group corporate structure	Yes
Downloadable annual report	Yes
Notice of AGM and/or EGM	Yes
Company's constitution (company's by-laws, memorandum and articles of association)	Yes

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

Not applicable

#### 7) Disclosure of RPT

RPT	Relationship	Nature	Value
Solid Broadband Corp. (SBC), a wholly owned subsidiary of the Company, bills Destiny Cable Inc. (DCI) a fee per subscriber for the use of the cable infrastructure. In May 2012, SBC sold the broadband assets to Sky Cable Corporation and the billings to DCI were stopped.	Related parties under common ownership	Use of cable infrastructure	P81,656,142
Solid Manila Finance Inc. (SMFI), a wholly owned subsidiary of the Company, grants business loans to Avid Sales Corp., AA Export and Import Corp., AA Marine Development Corp., Philippine Prawn, Inc., Baybayan Farm, Inc. and Kawayan Farm, Inc.	Related parties under common ownership	Granting of business loans	67,560,199
Solid Video Corp. (SVC), a wholly owned subsidiary of the Company, earns commission from Solid Trading Ltd. (STL).	Related parties under common ownership	Commissions	1,730,242
My Solid Technologies & Devices Corp., a wholly owned subsidiary of the Company, purchases mobile phones from STL.	Related parties under common ownership	Purchase of inventories	2,816,688,776
Brilliant Reach Ltd., a wholly owned subsidiary of the Company, granted an unsecured, interest-bearing loan to Solid Company Ltd. (SCL).	Related parties under common ownership	Granting of loans	104,354,742
Fil-Dragon, 51% owned by the Company, obtained loans from companies owned by SCL.	Related parties under common ownership	Availing of loans	359,312,976
Solid Electronics Corp., a wholly owned subsidiary of the Company, purchases parts and supplies from CPD Corp.	Related parties under common ownership	Purchase of inventories	87,557,687

When RPTs are involved, what processes are in place to address them in the manner that will safeguard the interest of the company and in particular of its minority shareholders and other stakeholders?

RPT are fully disclosed and approved by the Board. Purchases, granting of loans are others are done on an arms length basis.

**J. RIGHTS OF STOCKHOLDERS**

1) Right to participate effectively in and vote in Annual/Special Stockholders’ Meetings

(a) Quorum

Give details on the quorum required to convene the Annual/Special Stockholders’ Meeting as set forth in its By-laws.

<b>Quorum Required</b>	2/3
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(b) System Used to Approve Corporate Acts

Explain the system used to approve corporate acts.

<b>System Used</b>	For the ratification of the acts of the Board of Directors and Officers, the vote required is a majority of the outstanding common stock present in person or by proxy, provided constituting a quorum.
<b>Description</b>	The method by which votes shall be counted: Each outstanding common stock shall be entitled to one (1) vote. The votes shall be done viva voce or by raising of hands, upon motion duly made and seconded.

(c) Stockholders’ Rights

List any Stockholders’ Rights concerning Annual/Special Stockholders’ Meeting that differ from those laid down in the Corporation Code.

<b>Stockholders’ Rights under The Corporation Code</b>	<b>Stockholders’ Rights <u>not</u> in The Corporation Code</b>
- Stockholders’ Rights concerning Annual/Special Stockholders’ Meeting are in accordance with provisions stated in the Corporation Code.	There are no stockholders’ rights concerning Annual/Special Stockholders’ Meeting that differ from those laid down in the Corporation Code.

Dividends

Declaration Date	Record Date	Payment Date
October 12, 2012	October 31, 2012	November 28, 2012

(d) Stockholders’ Participation

1. State, if any, the measures adopted to promote stockholder participation in the Annual/Special Stockholders’ Meeting, including the procedure on how stockholders and other parties interested may communicate directly with the Chairman of the Board, individual directors or board committees. Include in the discussion the steps the Board has taken to solicit and understand the views of the stockholders as well as procedures for putting forward proposals at stockholders’ meetings.

<b>Measures Adopted</b>	<b>Communication Procedure</b>
The Board should be transparent and fair in the conduct of the annual and special stockholders’ meetings of the corporation. The stockholders should be encouraged to personally attend such meetings. If they cannot attend, they should be apprised ahead of	Shareholders are informed at least 15 business days before the Annual Stockholders’ Meeting. The Notice includes the date, time, venue and agenda of the meeting, the record date of

<p>time of their right to appoint a proxy. Subject to the requirements of the By-laws, the exercise of that right shall not be unduly restricted and any doubt about the validity of a proxy should be resolved in the stockholder's favor.</p> <p>The Board promotes the rights of the stockholders, remove impediments to the exercise of those rights and provide an adequate avenue for them to seek timely redress for breach of their rights.</p> <p>To promote stockholders participation in the Annual Stockholders' Meeting, the Board should take the appropriate steps to remove excessive or unnecessary costs and other administrative impediments to the stockholders' meaningful participation in meetings, whether in person or by proxy. Accurate and timely information should be made available to the stockholders to enable them to make a sound judgment on all matters brought to their attention for consideration or approval.</p> <p>Although all stockholders should be treated equally or without discrimination, minority stockholders may request in writing the holding of a meeting, subject to the requirement under the By-laws that such requesting stockholder is the holder of record of not less than one-third of the subscribed and voting capital stock of the Corporation. [Revised Manual of Corporate Governance, page 15]</p>	<p>stockholders entitled to vote, and the date and place of proxy validation.</p> <p>Shareholders are provided through the Company's website, the disclosures, announcements and reports filed with the SEC, and PSE.</p>
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2. State the company policy of asking shareholders to actively participate in corporate decisions regarding:
  - a. Amendments to the company's constitution
  - b. Authorization of additional shares
  - c. Transfer of all or substantially all assets, which in effect results in the sale of the company

Corporate decisions regarding the above amendments, authorization and/ or transfer of assets, which in effect results in the sale of the company will be taken up in the meeting with the shareholders.

3. Does the company observe a minimum of 21 business days for giving out of notices to the AGM where items to be resolved by shareholders are taken up? No
  - a. Date of sending out notices: June 4, 2012
  - b. Date of the Annual/Special Stockholders' Meeting: June 28, 2012

4. State, if any, questions and answers during the Annual/Special Stockholders' Meeting.

Questions and answers during the June 28, 2012 Annual Stockholders' Meeting are the following:

Question 1: Will there be a dividend?

Answer by Susan Tan (Chairman) : Yes, we are committed to declare a dividend within the year.

Question 2: Are we compliant with public float requirement?

Answer by Susan Tan: Yes we are.

Question 3: Can something be done about the liquidity of the shares?



Answer by Vincent Lim (Senior VP and CFO): No one wants to sell their shares. Value is improving so liquidity will hopefully be a natural progression.

Question 4: What is the status of mylhouse project?

Answer by David Lim (President and CEO): We are still securing government permits.

5. Result of Annual/Special Stockholders' Meeting's Resolutions

Resolution	Approving	Dissenting	Abstaining
Approval of the Minutes of Annual Stockholders' Meeting held on August 16, 2011.	1,410,434,000 votes representing 77.43%	---	---
Ratification of the acts of the Board of Directors / Officers	1,410,434,000 votes representing 77.43%	---	---
Election of Directors	1,400,902,000 votes representing 76.90%	9,532,000 votes representing 0.53%	---
Appointment of the External Auditors - Punongbayan & Araullo for the year 2012	1,410,434,000 votes representing 77.43%	---	---

6. Date of publishing of the result of the votes taken during the most recent AGM for all resolutions:

The results of the annual stockholders' meeting was immediately disclosed to the PSE's Online Disclosure System (ODiSy) on the same date June 28, 2012.

(e) Modifications

State, if any, the modifications made in the Annual/Special Stockholders' Meeting regulations during the most recent year and the reason for such modification:

Modifications	Reason for Modification
None	

(f) Stockholders' Attendance

(i) Details of Attendance in the Annual/Special Stockholders' Meeting Held:

Type of Meeting	Names of Board members / Officers present	Date of Meeting	Voting Procedure (by poll, show of hands, etc.)	% of SH Attending in Person	% of SH in Proxy	Total % of SH attendance
Annual	Elena S. Lim Susan L. Tan David S. Lim Jason S. Lim Vincent S. Lim Quintin Chua Luis Maria Zabaljauregui Joseph Lim Beda Manalac	June 28, 2012	By Ballot	17.43%	60.00%	77.43%
Special	Not applicable; no special meeting					

(ii) Does the company appoint an independent party (inspectors) to count and/or validate the votes at the ASM/SSMs?

Yes, the appointed independent party (inspectors) of the Company is the Stock Transfer Services Inc.

(iii) Do the company's common shares carry one vote for one share? If not, disclose and give reasons for any divergence to this standard. Where the company has more than one class of shares, describe the voting rights attached to each class of shares.

The Company only has common stock. One common stock is entitled to one vote.

(g) Proxy Voting Policies

State the policies followed by the company regarding proxy voting in the Annual/Special Stockholders' Meeting.

	<b>Company's Policies</b>
Execution and acceptance of proxies	The Company By-laws allows the execution and acceptance of proxy.
Notary	For corporate shareholders, the Company requires notarized secretary's certificate as to authority of the representative to attend the meeting.
Submission of Proxy	The Company By-laws allows the submission of proxy.
Several Proxies	If the stockholder intends to designate several proxies, the number of shares of stock to be represented by each proxy shall be specifically indicated in the proxy form. If some of the proxy forms do not indicate the number of shares, the total shareholdings of the stockholder shall be tallied and the balance thereof, if any, shall be allotted to the holder of the proxy form without the number of shares. If all are in blank, the stocks shall be distributed equally among the proxies. The number of persons to be designated as proxies may be limited by the By-Laws.
Validity of Proxy	Unless otherwise provided in the proxy, it shall be valid only for the meeting for which it is intended. No proxy shall be valid and effective for a period longer than five (5) years at any one time (Sec. 58 of the Corporation Code of the Philippines)
Proxies executed abroad	Proxies executed abroad shall be duly authenticated by the Philippine Embassy or Consular Office.
Invalidated Proxy?	A proxy shall not be invalidated on the ground that the stockholder who executed the same has no signature card on file with the Corporate Secretary or Transfer Agent, unless it can be shown that he/she had refused to submit the signature card despite written demand to that effect duly received by the said stockholder at least ten (10) days before the annual stockholders' meeting. There shall be a presumption of regularity in the execution of proxies and shall be accepted if they have the appearance of prima facie authenticity in the absence of a timely and valid challenge.
Validation of Proxy	The Company By-laws requires the validation of proxy. Validation of proxies shall be held at the date, time and place as may be stated in the Notice of the stockholders' meeting which in no case shall be less than five (5) calendar days prior to the date of stockholders meeting.
Violation of Proxy	Any violation of this Rule on Proxy shall be subject to the administrative sanctions provided for under Section 144 of the Corporation Code and Section 54 of the Securities

	Regulation Code, and shall render the proceedings null and void.
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(h) Sending of Notices

State the company's policies and procedure on the sending of notices of Annual/Special Stockholders' Meeting.

Policies	Procedure
The Company abides by the SEC requirement of sending out notices not later than 15 days prior to the Annual Stockholder's Meeting. The Company also send out the notices to the addresses of the shareholders.	The Company mail the notices to the addresses of the shareholders on June 4, 2012.

(i) Definitive Information Statements and Management Report

<b>Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials</b>	4,546
<b>Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners</b>	June 4, 2012
<b>Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders</b>	June 4, 2012
<b>State whether CD format or hard copies were distributed</b>	Combined CD format and hard copies
<b>If yes, indicate whether requesting stockholders were provided hard copies</b>	Yes

(j) Does the Notice of Annual/Special Stockholders' Meeting include the following:

Each resolution to be taken up deals with only one item.	Yes
Profiles of directors (at least age, qualification, date of first appointment, experience, and directorships in other listed companies) nominated for election/re-election.	Yes
The auditors to be appointed or re-appointed.	Yes
An explanation of the dividend policy, if any dividend is to be declared.	No
The amount payable for final dividends.	No
Documents required for proxy vote.	Yes

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

The dividend policy was not included in the notice. However, during the Annual Stockholders' Meeting, it was explained that the Company will declare the dividends before the end of the year.

2) Treatment of Minority Stockholders

(a) State the company's policies with respect to the treatment of minority stockholders.

Policies	Implementation
<p>The Company respect the rights of the stockholders as provided in the Company's articles of incorporation, By-laws and the Corporation Code; right to vote on all matters that require their consent or approval, right to inspect corporate books and records, right to information, right to dividends and appraisal right.</p>	<p>Shareholders are informed at least 15 business days before the Annual Stockholders' Meeting. Notice for the June 28, 2012 Annual Stockholders' Meeting was sent on June 04, 2012. The Company implements 1 vote for 1 share. Shareholders are entitled to equal amount of dividends per share. Shareholders are provided through the Company's website, the disclosures, announcements and reports filed with the SEC, and PSE.</p>

(b) Do minority stockholders have a right to nominate candidates for board of directors? Yes

**K. INVESTORS RELATIONS PROGRAM**

1) Discuss the company's external and internal communications policies and how frequently they are reviewed. Disclose who reviews and approves major company announcements. Identify the committee with this responsibility, if it has been assigned to a committee.

The Company's announcements and periodic and annual reports are disclosed to the SEC and PSE. This are also uploaded in the Company website. The Company has a designated Investor Relations Officer that handles queries and communications with stockholders. The Chairman and President/CEO reviews and approves major company announcements.

2) Describe the company's investor relations program including its communications strategy to promote effective communication with its stockholders, other stakeholders and the public in general. Disclose the contact details (e.g. telephone, fax and email) of the officer responsible for investor relations.

	Details
(1) Objectives	To promote shareholder awareness of Company activities and operations.
(2) Principles	Transparency and good corporate governance.
(3) Modes of Communications	SEC and PSE disclosure; newspaper publication
(4) Investors Relations Officer	Josephine Santiago

3) What are the company's rules and procedures governing the acquisition of corporate control in the capital markets, and extraordinary transactions such as mergers, and sales of substantial portions of corporate assets?

Name of the independent party the board of directors of the company appointed to evaluate the fairness of the transaction price.

The Company ensures that acquisition, sales and other substantial transactions, if any, are properly evaluated. It may consider the appointment of an independent party to assist and/ or evaluate the fairness of the transaction price.

**L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES**

Discuss any initiative undertaken or proposed to be undertaken by the company.

Initiative	Beneficiary
The Company will donate 60 school houses or	School children

my school in cooperation with Ninoy and Cory Foundation (NCAF) all over the country for a 5 year period. The advocacy started in 2011 and the Company had built 6 my school as of May 2013.	
The Company donated Segunda Mana Charity Store to Caritas Manila.	Caritas Manila

#### M. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL

Disclose the process followed and criteria used in assessing the annual performance of the board and its committees, individual director, and the CEO/President.

	Process	Criteria
<b>Board of Directors</b>	The Company assesses and evaluates the performance of its Board of Directors by accomplishing the ICD Corporate Governance Scorecard	Adequate to Best compliance criteria
<b>Board Committees</b>	None	
<b>Individual Directors</b>		
<b>CEO/President</b>		

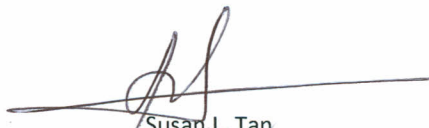
#### N. INTERNAL BREACHES AND SANCTIONS

Discuss the internal policies on sanctions imposed for any violation or breach of the corporate governance manual involving directors, officers, management and employees

Violations	Sanctions
The Company ensures that it complies with the requirements of the Company's Manual of Corporate Governance. Violate or breach of the manual will be grounds for disqualification.	Removal or disqualification of directors and officers.

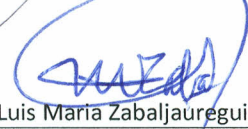
Pursuant to the requirement of the Securities and Exchange Commission, this Annual Corporate Governance Report is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of Makati on June 28, 2013.

**SIGNATURES**

  
 \_\_\_\_\_  
 Susan L. Tan  
**Chairman of the Board**

  
 \_\_\_\_\_  
 David S. Lim  
**Chief Executive Officer**

  
 \_\_\_\_\_  
 Quintin Chua  
**Independent Director**

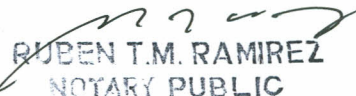
  
 \_\_\_\_\_  
 Luis Maria Zabaljauregui  
**Independent Director**

  
 \_\_\_\_\_  
 Mellina T. Corpuz  
**Compliance Officer**

**JUN 28 2013**

**SUBSCRIBED AND SWORN** to before me this \_\_\_\_\_ day of \_\_\_\_\_ 2013, affiant(s) exhibiting to me their passport, as follows:

NAME/NO.	DATE OF ISSUE	PLACE OF ISSUE
Susan L. Tan/EB0123180	April 20, 2010	Manila
David S. Lim/EB4305124	December 20, 2011	Manila
Quintin Chua/M8252881	March 8, 2008	Australia
Luis Maria Zabaljauregui/XX1984075	September 8, 2008	Manila
Mellina T. Corpuz/EB0552738	July 10, 2010	Manila

  
**RUBEN T.M. RAMIREZ**  
**NOTARY PUBLIC**

Until Dec. 31, 2013  
 IBF No. 913800/CY-2013-Pasig  
 Roll No. 22947/MCLE-4 No. 0020050  
 PTR No. 3671124/1-2-13 Makati City  
 TIN. 125-540-060

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