COVER SHEET

1	5	3	9	3						

S.E.C. Registration Number

HOUSE OF INVESTMENTS INC.

(Company's Full Name)

9/ FLOOR GREPALIFE BUILDING 219

SEN. GIL PUYAT AVENUE MAKATI

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

Atty. Lalaine P. Monserate
Contact Person

8815-96-36
Company Telephone Number

Month		Day	
1	2	3	1

Fiscal Year

SEC FORM 20 - IS (PRELIMINARY)
FORM TYPE

Month		Day	
0	8	1	7

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. Of Stockholders	Domestic	Foreign
384	95.54%	4.46%

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks= pls. Use black ink for scanning purposes

HOUSE OF INVESTMENTS

NOTICE OF ANNUAL STOCKHOLDERS' MEETING

NOTICE IS HEREBY GIVEN that the Annual Stockholders' Meeting of **HOUSE OF INVESTMENTS, INC.** will be held virtually on **Monday, August 17, 2020,** with the proceedings livestreamed and voting conducted via remote communication or *in absentia* through the Company's secure online voting facility.

1. Call to Order
2. Proof of Notice and Certification of a Quorum
3. Approval of the Minutes of the Annual Meeting of the Stockholders held on July 19, 2019
4. Approval of the Management Report and Audited Financial Statements for 2019
5. Amendment of Article First of the Articles of Incorporation to reflect the change in the corporate name of the Company
6. Amendment of Article Third of the Articles of Incorporation to reflect the change in the principal office address of the Company
7. Ratification and confirmation of the acts, resolutions and proceedings of the Board of Directors, Executive Committee, Other Committees and the Officers of the Company during the year 2019
8. Election of Directors for 2020-2021
9. Appointment of External Auditors
10. Such other business that may properly come before the meeting
11. Adjournment

Only stockholders of record at close of business on **July 17, 2020** shall be entitled to vote at said meeting or any adjournment thereof.

Pursuant to the alternative modes of notice as provided for in the Securities and Exchange Commission's NOTICE dated April 20, 2020, this notice to stockholders shall be published in the business section of two (2) newspaper of general circulation, in print and online format, for two (2) consecutive days. The Information Statement and other pertinent meeting documents shall be made available in the Company's website (www.hoi.com.ph) and via PSE Edge.

Given the current circumstances, stockholders may only attend and participate in the meeting by remote communication and vote only by proxy or electronically *in absentia*. Stockholders who wish to attend and participate in the meeting by remote communication shall inform and notify the Company by email at hi_asm2020@hoi.com.ph, on or before August 3, 2020. The link to the live webcast of the meeting shall be sent to the email address of the registered stockholder.

For voting via proxy, duly accomplished proxies shall be submitted by email to the Office of the Corporate Secretary at hi_asm2020@hoi.com.ph, for inspection, validation, and recording at least ten (10) days before the Annual Stockholders' Meeting, or on or before August 3, 2020. Proxies received thereafter shall not be recognized for the meeting.

Further details on the procedures for attending and participating in the meeting through remote communication, for casting of votes and the proxy form format are set forth in the Information Statement.

The Company shall record the Annual Stockholder's Meeting and post the same in its website.

Makati City, June 30, 2020.

ATTY. SAMUEL V. TORRES
Corporate Secretary

MINUTES OF THE ANNUAL STOCKHOLDERS' MEETING

OF

HOUSE OF INVESTMENTS, INC.

Date : 19 July 2019
Time : 2:30 P.M.
Place : Rooms 527-528 YIAS, 5/F Tower II
RCBC Plaza, 6819 Ayala Avenue
Makati City, Metro Manila

I. CALL TO ORDER.

The Chairman, Ms. Helen Y. Dee, called the meeting to order and asked the Corporate Secretary, Atty. Samuel V. Torres, whether proper notices of the meeting were sent out to the stockholders to which Atty. Torres replied in the affirmative.

As proof, the Corporate Secretary presented the Certification executed by the General Manager of DAG Express Courier, Inc., Mr. Manuel Andrew Chanco IV, certifying to the sending out of notices of the meeting, and Affidavits of Publication, attesting to the publication of the notice in The Philippine Star and Manila Bulletin on 19 June 2019.

II. DETERMINATION OF QUORUM.

The Chairman then asked the Corporate Secretary if there was a quorum for the transaction of business, to which the Corporate Secretary certified as follows:

	No. of Common/Preferred Shares
Stockholders Present in Person or By Proxy	493,071,160 (Common) 601,717,252 (Preferred)
Total	1,094,788,412 Shares
Outstanding No. of Shares Entitled to Vote	615,996,114 (Common) 618,535,387 (Preferred)
Total	1,234,531,501 Shares
Percentage of Attendance	88.680 %

GWTorq

Considering that more than a majority of the outstanding number of shares entitled to vote was present, in person or by proxy, the Corporate Secretary certified to the existence of a legal quorum. Whereupon, the Chairman declared the agenda open for deliberation.

DIRECTORS PRESENT

1. Ms. Helen Y. Dee	–	Chairman Chairman, Executive Committee
2. Mr. Medel T. Nera	–	President & CEO
3. Ms. Yvonne S. Yuchengco		
4. Mr. Lorenzo V. Tan		
5. Dr. Reynaldo B. Vea		
6. Atty. Wilfrido E. Sanchez	–	Chairman, Remuneration Committee
7. Mr. Juan B. Santos	–	Independent Director Chairman, Corp. Governance & Nomination Committee
8. Mr. Ermilando D. Napa	–	Independent Director Chairman, Board Risk Oversight Committee
9. Mr. Francisco H. Licuanan III	–	Independent Director
10. Mr. John Mark S. Frondoso	–	Independent Director

III. APPROVAL OF THE MINUTES OF THE PREVIOUS ANNUAL STOCKHOLDERS' MEETING.

The Minutes of the last Annual Stockholders' Meeting held on 20 July 2018 were presented to the stockholders for approval. On motion duly made and seconded, the reading of the said Minutes was dispensed with and there being no objection or correction to the same, the Minutes were approved to be correct.

IV. APPROVAL OF THE 2018 MANAGEMENT REPORT AND THE AUDITED FINANCIAL STATEMENTS.

The Company's President and CEO, Mr. Medel T. Nera, reported on the various activities, performance and results of the operations of the Company, including that of its subsidiaries, for the one (1) year period ended 31 December 2018.

Mr. Nera commenced his President's Report with an update on the recent merger between one of the Company's subsidiaries, iPeople, Inc., and a member of the Ayala Group of Companies, AC Education, Inc., with iPeople, Inc. as the surviving entity. He particularly noted that with the said merger, the Company was able to welcome into its fold additional schools. Mr. Nera also highlighted the opening of a Mapua school in Davao City and the ongoing construction of the Mapua Makati Campus.

Mr. Nera also proceeded to particularly report on the Company's businesses and activities in the energy sector (Petroenergy Resources Corporation), property management and services (through its subsidiary Landev Corporation and minority ownership in RCBC Realty Corporation), construction industry (EEI Corporation); car dealership business (Honda Cars Quezon City Group and Isuzu Manila Group), and other investments in pharmaceuticals (HI-Eisai Pharmaceutical, Inc.), afterlife services (Manila Memorial Park Cemetery, Inc. and La Funeraria Paz-Sucat, Inc.), and consumer finance (Zamboanga Industrial Finance Corporation).

Mr. Nera also provided an update on the Company's corporate social responsibility and sustainability activities, particularly, on its community service efforts and scholarship program.

After Mr. Nera concluded his President's Report, the Chairman informed the stockholders that the Company's Board of Directors had earlier approved the declaration of a cash dividend of Php0.065 per common share and Php0.01733 per preferred share, for a total amount of Fifty Million Seven Hundred Fifty Eight Thousand Nine Hundred Sixty Five Pesos and Sixty Seven Centavos (Php50,758,965.67), from the company's unrestricted retained earnings as of 31 December 2018 to the Company's stockholders of record as of 15 August 2019. The payment date is on 10 September 2019.

The Chairman then proceeded to note that the Company's Management Report and the Audited Financial Statements for the year ending 31 December 2018 were sent earlier to the stockholders by mail. She then inquired from the stockholders if there were any questions respecting the same.

There being no queries or objections, the Company's Management Report and Audited Financial Statements, as certified by Ms. Wenda Lynn M. Loyola of Sycip Gorres Velayo & Co., were approved by the stockholders present, upon motion made and duly seconded.

V. RATIFICATION AND CONFIRMATION OF THE ACTS, RESOLUTIONS AND PROCEEDINGS OF THE BOARD OF DIRECTORS, OFFICERS AND VARIOUS COMMITTEES OF THE COMPANY DURING THE YEAR IN REVIEW.

On motion duly made and seconded, the stockholders present ratified and confirmed all the acts, resolutions and proceedings of the Board of Directors, various Committees and Officers of the Company during the year in review.

VI. ELECTION OF DIRECTORS FOR 2019-2020.

The Chairman declared the table open for the election of directors for the ensuing year.

The Corporate Secretary presented and read the name of the following persons nominated, evaluated and found by the Corporate Governance and Nomination Committee to have all the qualifications and none of the disqualifications to serve as members of the Company's Board of Directors for the year 2019-2020:

Regular Directors:

1. Ms. Helen Y. Dee
2. Mr. Lorenzo V. Tan
3. Mr. Medel T. Nera
4. Atty. Wilfrido E. Sanchez
5. Dr. Reynaldo B. Vea
6. Ms. Yvonne S. Yuchengco

Independent Directors:

7. Dr. Roberto F. De Ocampo, OBE
8. Mr. Francisco H. Licuanan III
9. Mr. Juan B. Santos
10. Mr. Ermilando D. Napa
11. Mr. John Mark S. Frondoso

There being no further comment and no other nominees, the Corporate Secretary was requested by the Chairman to cast all votes equally among the above-named nominees. Thereafter, the Chairman declared the above-named nominees as the duly elected members of the Board of Directors of the Company for the ensuing year 2019-2020 and presented them to the stockholders.

VII. APPOINTMENT OF EXTERNAL AUDITOR.

As recommended by the Audit and Related Party Transactions Committee, on motion duly made and seconded, Sycip Gorres Velayo & Co. was re-appointed as the external auditor of the Company for the fiscal year ending 31 December 2019.

VIII. OTHER MATTERS.

The Chairman inquired whether there was any other business or matter to be discussed. At this juncture, a stockholder, Mr. Philip Tan, noted the recent merger between one of the Company's subsidiaries, iPeople, Inc., and a member of the Ayala Group of Companies (the "Ayala Group"), AC Education, Inc., with iPeople, Inc. as the surviving entity. He then proceeded to ask if the Company would be open to any other future collaborative effort with the Ayala Group. The Chairman replied that while there is no ongoing discussion on any other venture, there is always a possibility of exploring mutually beneficial business relations with the Ayala Group.

Referring to the Company's Honda Cars dealership business, Mr. Tan asked if there is a plan to import the Honda Passport model and making it available in the Philippines. The Company's President and CEO, Mr. Medel T. Nera, replied that there is currently no advice from Honda Philippines on the same, but as far as he knows the Honda Passport is a US model, which would render it unlikely to be made available in the Philippine market.

IX. ADJOURNMENT.

There being no further business to discuss, the meeting was adjourned on motion duly made and seconded.

SAMUEL V. TORRES
Corporate Secretary

ATTESTED BY:

HELEN Y. DEE
Chairman

EXPLANATION OF AGENDA ITEMS

The following are the rules of conduct and procedures for the meeting:

1. Stockholders may attend and participate in the meeting by remote communication. Stockholders who intend to attend and participate by remote communication shall inform the Company via email at hi_asm2020@hoi.com.ph, on or before August 3, 2020. After verification of the email request, the link to the live webcast of the meeting shall be sent to the indicated email address of the registered stockholder.

2. Stockholders may vote by appointing a proxy. Stockholders voting by proxy shall email the duly accomplished proxies for examination, validation and recording at least ten (10) days before the Annual Stockholders' Meeting, or on or before August 3, 2020 to the Office of the Corporate Secretary at hi_asm2020@hoi.com.ph.

3. Pursuant to Sections 57 and 23 of the Revised Corporation Code, which allow for voting by remote communication or *in absentia* by the stockholders, the Company has set up a registration and voting mechanism. Stockholders may cast their votes electronically at the time provided for in the notice and mechanism, as detailed in the attachments to the Information Statement, Annex A and Annex B. A stockholder who votes by remote communication or in absentia shall be deemed present for purposes of quorum.

4. The items in the Agenda for the approval by the stockholders will need the affirmative vote of stockholders representing at least a majority of the outstanding voting stock, voting through a proxy or voting electronically in absentia.

5. Each of the proposed resolutions or items in the Agenda will be shown on the screen as the same is taken up at the meeting.

6. Election of directors will be by plurality of votes and every stockholder will be entitled to cumulate his/her/its votes.

7. The Company's stock transfer agent will tabulate, verify and validate all votes received.

8. The Corporate Secretary shall report the results of voting during the meeting.

9. Stockholders may email to hi_asm2020@hoi.com.ph relevant questions or comments to matters to be taken up, on or before the time of the meeting. Stockholders are advised to send questions early to be assured that these will be taken up in time.

10. A link to the recorded webcast of the meeting will be posted on the Company's website after the meeting.

Call to Order

The Chairperson will formally open the meeting at 2:30 in the afternoon.

Certification of Notice and Quorum (& Rules of Conduct and Procedures)

The Corporate Secretary, will certify that written notice for the meeting was duly sent to the stockholders and that a quorum exists for the transaction of business.

Approval of Minutes of the Annual Stockholders' Meeting held on July 19, 2019

The minutes of the Annual Stockholders' Meeting held on July 19, 2019 is posted on the Company's website, at https://hoi.com.ph/category/minutes-of-all-general-or-special-stockholder-meeting/. A copy of the minutes is also attached to the Information Statement. A resolution approving the minutes will be presented to the stockholders for approval.

Approval of the Management Report and Audited Financial Statements for 2019

The President and Chief Executive Officer of the Company, Mr. Lorenzo V. Tan, will deliver a report to the stockholders on the performance of the Company in 2019 and the outlook for 2020. The audited financial statements as of December 31, 2019 will be included in the Information Statement. A resolution noting the report and approving the 2019 audited financial statements will be presented to the stockholders for approval.

Amendment of Article First of the Articles of Incorporation and the By-laws to reflect the change in the corporate name of the Company

The Corporate Secretary will present the proposed changes to Article First of the Articles of Incorporation as follows:

Article No.	FROM	TO
Article First	That the name of said corporation shall be: House of Investments, Inc. doing business also under the name of Honda Cars Quezon City, Honda Cars Manila, Honda Cars Marikina, Honda Cars Fairview, Honda Cars Tandang Sora, Honda Cars Marcos Highway, Isuzu Manila, Isuzu Commonwealth, Isuzu Greenhills, and Isuzu Leyte.	That the name of said corporation shall be: House of Investments, Inc.

A resolution approving the amendment will be presented to the stockholders for approval.

Amendment of Article Third of the Articles of Incorporation to reflect the change in the principal office address of the Company

Article No.	FROM	TO
Article Third	That the PLACE where the principal office of the Corporation is to be established or located is at 3rd Floor, Grepalife Building, 219 Sen. Gil J. Puyat Avenue, Makati City, Metro Manila, Philippines.	That the PLACE where the principal office of the Corporation is to be established or located is at 9th Floor, Grepalife Building, 221 Sen. Gil J. Puyat Avenue, Makati City, Metro Manila, Philippines.

A resolution approving the amendment will be presented to the stockholders for approval.

Approval of the ratification and confirmation of the acts, resolutions and proceedings of the Board of Directors, Executive Committee, Other Committees and the Officers of the Company during the year 2019

The acts and resolutions of the Board of Directors, all Committees and Management of the Company for ratification were those adopted from July 19, 2019 until August 17, 2020. They include: a) opening/closing of bank accounts and delegation of bank signatories; b) approval of loans; c) redemption of preferred shares; d) declaration of cash dividends; e) appointment/promotion of officers; f) approval of the Related Party Transactions Policy; and other matters covered by disclosures to the Securities and Exchange Commission and the Philippine Stock Exchange. The acts of Management were those taken to implement the resolutions of the Board of Directors or its

Committees and those taken in the general conduct of business. A resolution on this agenda item will be presented to the stockholders for approval.

Election of Directors for 2020-2021

Any stockholder may submit to the Corporate Governance, Nomination and Related Party Transactions Committee nominations to the Board of Directors no later than May 7, 2020. The Corporate Governance, Nomination and Related Party Transactions Committee will determine whether the nominees for Directors, including the nominees for Independent Directors, have all the qualifications and none of the disqualifications to serve as members of the Board of Directors before submitting the nominees for election by the stockholders. The profiles of the nominees to the Board will be included in the Information Statement.

Appointment of External Auditors

The Audit Committee shall endorse to the stockholders the appointment of an external auditor for the ensuing year. The profile of the external auditor will be included in the Information Statement.

A resolution for the appointment of the external auditor will be presented to the stockholders for approval.

Such other business that may properly come before the meeting

The Chairperson will open the floor for comments and questions from the stockholders. Stockholders may raise matters or issues that may be properly taken up at the meeting.

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

1. Check the appropriate box:

   [√] Preliminary Information Statement [ ] Definitive Information Statement

2. Name of Registrant as specified in its charter **House of Investments, Inc.**

3. **Makati City, Metro Manila, Philippines**
   Province, country or other jurisdiction of incorporation or organization

4. SEC Identification Number **15393**

5. BIR Tax Identification Code **000-463-069-000**

6. **9F, Grepalife Bldg., 221 Sen. Gil J. Puyat Ave., Makati City, Metro Manila, Phil. 1200**
   Address of principal office Postal Code

7. Registrant's telephone number, including area code **(632) 8815-9636 to 38**

8. Date, Time and place of the meeting of security holders
   August 17, 2020, 2:30 P.M., to be held virtually with the proceedings livestreamed and voting conducted by proxy or through remote communication or *in absentia*.

9. Approximate date on which the Information Statement is first to be sent or given to security holders July 27, 2020.

10. ***In case of Proxy Solicitations***:

    Name of Person Filing the Statement/Solicitor: Atty. Samuel V. Torres
    Address: House of Investments, Inc., 9/F Grepalife Building, 221 Sen. Gil Puyat Avenue, Makati City, Metro Manila
    Telephone No.: 8815-96-36
    Email address: hi_asm2020@hoi.com.ph

11. Securities registered pursuant to Sections 8 and 12 of the Code (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares Outstanding
Common, P1.50 par value	776,465,281

Total Debt Outstanding as of March 31, 2020: P29.1 Billion

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

    Yes (√) No _____ **Common Stocks**

    The **common stock** of the Corporation is listed on the **Philippine Stock Exchange, Inc.**

PART 1
INFORMATION REQUIRED IN INFORMATION STATEMENT

A. GENERAL INFORMATION

Item 1: Date, Time and Place of Meeting of Security Holders:

Date of meeting	:	**August 17, 2020**
Time of meeting	:	**2:30 pm**
Place of meeting	:	**Virtually with the proceedings livestreamed and voting conducted by proxy or *in absentia***
Approximate mailing date of this statement	:	**July 27, 2020**
Registrant's mailing address	:	**9/F, Grepalife Building** **221 Sen. Gil J. Puyat Avenue** **Makati City, Metro Manila, Philippines**

Voting by proxy or through remote communication or *in absentia* shall be adopted. In all items for approval, each voting share entitles its registered owner as of Record Date to one (1) vote.

In the case of the election of Directors, each shareholder may vote such number of shares for as many persons as there are directors to be elected or he may accumulate the aforesaid shares and give one nominee as many votes as the number of directors to be elected multiplied by the number of his shares, or he may distribute them on the same principle among as many nominees as he shall see fit; provided that, the whole number of votes cast by him shall not exceed the number of shares owned by him multiplied by the total number of directors to be elected.

All votes submitted through proxy or voting by remote communication or *in absentia*, within the period indicated in the Notice will be counted and tabulated by the Office of the Corporate Secretary and the results will be validated by the RCBC Stock Transfer Office..

Item 2: Dissenters' Right of Appraisal

Pursuant to Title X, Section 80 of the Revised Corporation Code of the Philippines (the "Revised Corporation Code"), a stockholder shall have the right to dissent and demand payment of the fair value of his/her shares in the following instances:

a. In case an amendment to the Corporation's articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;
b. In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Revised Corporation Code;
c. In case of merger or consolidation; and
d. In case of investment of corporate funds for any purpose other than the primary purpose of the Corporation.

A stockholder who shall have voted against a proposed corporate action may seek payment of the value of his/her shares by submitting to the Corporation a written demand for such payment within thirty (30) days after the vote was taken. Failure to make such demand within the said period shall be deemed as a waiver of the stockholder's appraisal right. The failure of a dissenting stockholder to submit his/her certificates of stock with the Corporation (for notation that such are dissenting shares) within ten (10) days after the required written demand has been made shall also be deemed as a waiver of the dissenting stockholder's appraisal right.

If, within sixty (60) days from the approval of the corporate action by the stockholders, the dissenting stockholder and the Corporation cannot agree on the fair value of the shares, it shall be determined and appraised by three (3) disinterested persons, one of whom shall be named by the stockholder, another by the corporation and the third by the two (2) thus chosen. The findings of the majority of the appraisers shall be final, and their award shall be paid by the corporation within thirty (30) days after the same is made.

Upon payment of the value of his/her shares, the dissenting stockholder shall forthwith transfer his shares to the Corporation. However, no payment shall be made to any dissenting stockholder unless the Corporation has retained earnings in its books to cover such payment.

A dissenting stockholder's demand for payment may not be withdrawn unless the Corporation consents thereto. If, however, such demand is withdrawn with the Corporation's consent, or if the proposed corporate action is abandoned, rescinded or disapproved, or if it is determined that the stockholder is not entitled to the appraisal right, then the right of the stockholder to be paid the fair value of his/her shares shall cease, the status of the stockholder shall be restored, and all dividends which would have accrued on the shares shall be paid to the stockholder.

There are no corporate matters in the Agenda for the annual meeting that will entitle dissenting stockholders to exercise their right of appraisal as provided in the Title X of the Revised Corporation Code.

Item 3: Interest of Certain Persons in or Opposition to Matters to be Acted Upon

a) No current director or officer of the Company, or nominee, for election as directors of the Company or any associate thereof, has any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon other than the election to office.

b) No director has informed the Company in writing that he intends to oppose any action to be taken by the registrant at the meeting.

B. CONTROL AND COMPENSATION INFORMATION

Item 4: Voting Securities and Principal Holders Thereof

(a) Class of Voting shares as of May 31, 2020:

Common Stocks	776,465,281shares

Each common share of the Company's capital stock is entitled to one (1) vote at the Annual Stockholders' Meeting.

(b) Record Date: July 17, 2020

Only stockholders of record at the close of business on **July 17, 2020** are entitled to vote at the meeting either in person or by proxy.

(c) Election of Directors and Cumulative Voting Rights

In all items for approval except election of directors, each share of stock entitles its registered owner to one (1) vote.

In case of election of Directors, each stockholder may vote the number of shares of stock standing in his own name as of the record date of the meeting for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit; Provided, that the total number of votes cast by him shall 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.

Security Ownership of Certain Beneficial Owners and Management

1. Owners of more than 5% of voting securities as of May 31, 2020.

SHARE CLASS	NAME AND ADDRESS OF RECORD OWNER	NAME OF BENEFICIAL OWNER & RELATIONSHIP WITH RECORD OWNER	CITIZENSHIP	NUMBER OF SHARES BENEFICIALLY OWNED	% OF TOTAL
Common	**PAN MALAYAN MANAGEMENT & INVESTMENT CORPORATION** 48/F, Yuchengco Tower, RCBC Plaza, 6819 Ayala Ave., Makati City *Principal Stockholder*	**Ms. Helen Y. Dee** *Chairperson* is authorized to direct voting of the shares held by Pan Malayan Management & Investment Corporation	Filipino	397,166,274	51.15%
Common	**ESTATE OF ALFONSO T. YUCHENGCO** 48/F, Yuchengco Tower, RCBC Plaza, 6819 Ayala Ave., Makati City *Principal Stockholder*	**Ms. Helen Y. Dee** *In her capacity as Administrator* is authorized to direct voting of the shares held by Pan Malayan Management & Investment Corporation	Filipino	90,123,082	11.61%
Common	**RCBC SECURITIES, INC.** *7/F Yuchengco Tower, RCBC Plaza, 6819 Ayala Ave., Makati City*	**Mr. Raul M. Leopando** *Nominee* **Mr. Raul Ruiz** *VP - Research* are authorized to direct voting of the shares held by RCBC Securities	Filipino	95,546,305	12.31%
Common	**BPI SECURITIES CORPORATION** *8/F BPI Head Office Bldg., Ayala Ave., cor. Paseo de Roxas Makati City*	**Mr. John Kennard T. Fajardo** *Nominee-Applicant* is authorized to direct voting of the shares held by BPI Securities Corporation	Filipino	43,903,620	5.56%

Among the above shareholders owning more than 5% of the Company's capital stock, only Pan Malayan Management and Investment Corporation purchased shares of the Company in the past two years using internally generated funds. The details of which are as follows:

Date	# of shares purchased	Price
November 29, 2019	7,029,980	5.400
December 6, 2019	4,649,990	5.410
January 15, 2019	4,000,000	5.400

2. Security Ownership of Management

Securities beneficially owned by the directors, nominees, officers, other than qualifying shares, as of May 31, 2020 according to the records of its stock and transfer agent, Rizal Commercial Banking Corp. (RCBC):

NAME OF BENEFICIAL OWNER	CITIZENSHIP	NATURE OF OWNERSHIP	SHARES OWNED	% OF CLASS
Ms. Helen Y. Dee	Filipino	Direct Indirect	1,125,345 770,780	0.1827% 0.1251%
Mr. Gil A. Buenaventura	Filipino	Direct	5	0.0000%
Mr. John Mark S. Frondoso	Filipino	Direct	5	0.0000%
Mr. Francisco H. Licuanan III	Filipino	Direct	500	0.0001%
Mr. Emilando Napa	Filipino	Direct	5	0.0000%
Mr. Medel T. Nera	Filipino	Direct	5	0.0000%
Dr. Roberto F. de Ocampo	Filipino	Direct	5	0.0000%
Atty. Wilfrido E. Sanchez	Filipino	Direct	5	0.0000%
Mr. Juan B. Santos	Filipino	Direct	5	0.0000%

NAME OF BENEFICIAL OWNER	CITIZENSHIP	NATURE OF OWNERSHIP	SHARES OWNED	% OF CLASS
Mr. Lorenzo V. Tan	Filipino	Direct	5	0.0000%
Ms. Yvonne S Yuchengco	Filipino	Direct Indirect	45 90,210	0.0000% 0.0146%
Sub-Total			**1,986,920**	**0.3226%**
Total Common Shares			**776,765,281**	**100%**

None of the officers have direct or indirect shares other than those mentioned above.

Changes in Control
There had been no change in control in the Company that had occurred since the beginning of last year.

Voting Trust Holders of 5% And More
There are no shareholdings holding any Voting Trust Agreement or any such similar agreement.

Ownership of Foreigners Per Class
As of May 31, 2020, there are 34,634,491 shares or 4.46% of the common stock that are held by foreigners.

Item 5: Directors and Executive Officers

The Company's Board of Directors ("BOD") has eleven (11) members elected by and from among the stockholders. The Board is accountable for providing overall management and direction of the firm. Board meetings are held on a regular basis or as often as required to discuss HI's operations, business strategy, policies, and other corporate matters. A brief background on each member of the board is provided in the succeeding pages.

The following are the names, ages, positions, and period of service of all incumbent directors, executive officers, and all persons nominated or chosen to become such:

DIRECTORS		
Name	**Position**	**Length of Service**
Ms. Helen Y. Dee	Chairperson	17 Years
Mr. Lorenzo V. Tan	Director President & CEO	3 Years as Director 11 Months as President & CEO
Atty. Wilfrido E. Sanchez	Director	19 Years
Ms. Yvonne S Yuchengco	Director	18 Years
Mr. Medel T. Nera	Director	8 Years
Mr. Gil A. Buenaventura	Director	9 Months
Mr. Lorenzo Andres T. Roxas	Nominee	-

INDEPENDENT DIRECTORS		
Name	**Position**	**Length of Service**
Dr. Roberto F. de Ocampo	Director	19 Years
Mr. Francisco H. Licuanan III	Director	12 Years
Mr. Juan B. Santos	Director	5 Years
Mr. Ermilando D. Napa*	Director	4 Years
Mr. John Mark Frondoso	Director	3 Years

** Mr. Napa will no longer stand for re-election.*

EXECUTIVE OFFICERS			
Name	**Position**	**Age**	**Citizenship**
Ms. Helen Y. Dee	Chairperson	76	Filipino
Mr. Lorenzo V. Tan	President & CEO	58	Filipino
Ms. Gema O. Cheng	EVP – COO, CFO & Treasurer	55	Filipino
Mr. Alexander Anthony G. Galang	SVP – Internal Audit	59	Filipino
Mr. Joselito D. Estrella	SVP – Chief Information Officer	55	Filipino
Ms. Ma. Esperanza F. Joven	VP – Finance	49	Filipino
Ms. Ma. Elisa E. Delara	VP – Internal Audit	51	Filipino

EXECUTIVE OFFICERS			
Name	**Position**	**Age**	**Citizenship**
Ms. Maria Teresa T. Bautista	VP – Corporate Controller	47	Filipino
Mr. Edgardo Augusto R. Grau Jr.	VP – Chief Risk Officer	53	Filipino
Atty. Lalaine P. Monserate	AVP – Legal & Compliance Officer	56	Filipino
Atty. Samuel V. Torres	Corporate Secretary	55	Filipino
Atty. Ma. Elvira Bernadette G. Gonzalez	Asst. Corporate Secretary	43	Filipino

There are executives seconded to the subsidiaries.

None of the above-mentioned Directors, Independent Directors, and Executive Officers of the Company is appointed to or is an employee of any Government Agency in compliance with Article 9(B) Section 8 of the Philippine Constitution. (Please see Annex 6)

POSITION AND BACKGROUND WITHIN THE LAST 5 YEARS

HELEN Y. DEE, 76 years old, Filipino, has been **Chairperson of the Board** since 2001 to present. She was also President and CEO of the company from 2001-2011. She is the **Chairperson** of EEI Corporation, PetroEnergy Resources Corporation, Rizal Commercial Banking Corporation, all of which are PSE-listed companies. She is the Chairperson, Vice Chairperson or a director of several companies engaged in banking, insurance, and real property businesses. ***Educational Background:*** Ms. Dee received her Master's Degree in Business Administration from De La Salle University.

LORENZO V. TAN, 58, Filipino, is a **Director** and the **President & CEO** of the Company. He is also the **Vice Chairman** of Pan Malayan Management Inc. and TOYM Foundation; **Chairman and President** of Honda Cars Kalookan Inc.; **Director and President** of RCBC Realty Corporation; **Director** at EEI Corp., iPeople, inc., Malayan Insurance Company, Inc., Smart Communications, Inc., Digitel Telecommunications, Sun Life Grepa Financial, Inc., Manila Memorial Park Cemetery, Inc., and Hi-Eisai Pharmaceutical Inc.; **Board of Trustees** at De La Salle Zobel. ***His past experiences include:*** **Managing Director** of Primeiro Partners, Inc. **President, Chief Executive Officer and Director** of Rizal Commercial Banking Corporation; **Chairman** of Asian Bankers Association; **President** of Bankers Association of the Philippines (BAP). As BAP president, he led the Association in representing the BAP in the ASEAN Bankers Association (ABA), composed of the national banking associations from the 10-member countries in the Association of Southeast Asian Nations (ASEAN). ***Educational Background:*** Certified Public Accountant in Pennsylvania, USA and in the Philippines. Mr. Tan graduated from De La Salle University with a Bachelor of Science degree in Accounting and Commerce, and holds a Master in Management degree from the J.L. Kellogg Graduate School of Management, Northwestern University.

ATTY. WILFRIDO E. SANCHEZ, 83, Filipino, is a **Director** from 2000 to present. He is also a **Director** in Antonelli Realty, Asiabest Group International Inc. ("ABG"), Asia Brewery, Inc., EEI Corporation, EMCOR, Inc., Gokongwei Brothers Foundation, J-DEL Investments and Management Corporation, Joint Research and Development Corporation, JVR Foundation, Inc., K-Servico, Inc., Kawasaki Motor Corporation, Magellan Capital Holdings, Corporation, Transnational Financial Services, Inc., Trimotors Technology Corp. and Universal Robina Corporation; **Independent Director** of Eton Properties Philippines, Inc., LT Group, Inc. and Tanduay Distillers, Inc. **Tax Counsel** of Quiason Makalintal Barot Torres Ibarra Sison and Damaso Law Firm; and **Trustees** of Asian Institute of Management (AIM) and NYK TDG Friendship Foundation. ***His Past experiences include***: **Managing Director & Head, Tax Division** of Sycip Gores Velayo & Co.; **Vice Chairman** of Center for Leadership and Change, Inc.; **Vice President** of JVR Foundation, Inc.; **Director** of NYK-TDG Maritime Academy, Wodel, Inc., Grepalife Asset Management Corporation, Grepalife Fixed Income Fund Corporation, Omico Corporation, APEX (Phils.) Equities Corporation, Grepalife Bond Fund Corporation, PET Plans, Inc., and Rizal Commercial Banking Corp. ***Educational Background:*** Masters of Law from Yale Law School, USA; Bachelor of Laws and Bachelor of Arts from Ateneo de Manila University, Philippines.

YVONNE S. YUCHENGCO, 66, Filipino, is a **Director** from 1999-2006, 2008 to present. She is also the **Chairperson** of First Nationwide Assurance Corp., RCBC Capital Corp. and XYZ Assets Corp..; **Chairperson and President** of Royal Commons, Inc., Y Tower II Office Condominium Corp. and

Yuchengco Tower Office Condominium Corp.; **Chairperson and Trustee** of The Malayan Plaza Condominium Owners Association Inc.,; **Director, Chairman and President** of Philippine Integrated Advertising Agency, Inc.; **Director and Chairman** of Y Realty Corp., and Yuchengco Museum, Inc.;**Director and President** of Alto Pacific Corp., MICO Equities, Inc., and RCBC Land, Inc.; **Director and Vice Chairperson** of Malayan Insurance Co., Inc.; **Director** of Annabelle Y. Holdings and Management Corp., Asia-Pac Reinsurance Co., Ltd., A.T. Yuchengco, Inc., DS Realty, Inc., Enrique T. Yuchengco, Inc., First Nationwide Assurance Corp., GPL Holdings, Inc., HYDee Management & Resource Corp., iPeople, inc., La Funenaria Paz Sucat, Inc., Luisita Industrial Park Corp., Malayan Colleges, Inc., Malayan High School of Science, Inc., Malayan Insurance Co. (H.K.) Ltd., Malayan International Insurance Corp., Manila Memorial Park Cemetery, Inc., National Reinsurance Corp. of the Phils., Pan Malayan Express, Inc., Pan Malayan Realty Corp., , RCBC Capital Corp., Seafront Resources Corp., Shayamala Corp., YGC Corporate Services, Inc., and Yuchengco Center, Inc.; **Director and Vice President** of A.Y. Holdings, Inc. **Director, Vice President and Treasurer** of Pan Managers, Inc**.; Director and Corporate Secretary** of MPC Investment Corp., **Director and Treasurer** of Honda Cars Kalookan, Inc., Malayan High School of Science, Inc., Mona Lisa Development Corp., Petro Energy Resources Corp. and Water Dragon, Inc.,; **Director, Treasurer and CFO** of Pan Malayan Management & Investment Corp.; **Trustee** of AY Foundation, Inc., Mapua Institute of Technology and Phil-Asia Assistance Foundation, Inc.,; **Advisory Member** of Rizal Commercial Banking Corp. ***Educational Background:*** Bachelor of Arts in Interdisciplinary Studies from Ateneo De Manila University, Philippines.

MEDEL T. NERA, **64**, **Filipino**, is a **Director** from 2011 to present. He is also a **Director** of iPeople inc., EEI Corp., Seafront Resources Corp., National Reinsurance Corporation and Generika Group. His past experiences include: **President & CEO** of House of Investments, Inc.; President of Honda Cars Kalookan, Inc., **Director and President** of RCBC Realty Corp.; **Chairman of the Board** of Greyhounds Security & Investigation Agency Corp., Zamboanga Industrial Finance Corporation, EEI Realty Corp., Hi-Eisai Pharmaceuticals Inc., Investments Manager Inc., Landev Corp., Malayan Colleges Laguna, Inc., Manila Memorial Park Cemetery Inc., YGC Corporate Services, **Director and Chairman of Risk Committee** of Rizal Commercial Banking Corp.; **Director and Treasurer** of CRIBS Foundation, Inc., and **Senior Partner** at Sycip Gorres Velayo & Co. ***Educational Background***: Master in Business Administration from Stern School of Business, New York University, USA and Bachelor of Science in Commerce from Far Eastern University, Philippines, International Management Program from Manchester Business School, UK, Pacific Rim Program from University of Washington, USA.

GIL A. BUENAVENTURA, 67, Filipino is a **Director** from 2019 to present**.** He is also a **Director** in Malayan Insurance Co., Manila Memorial Park Cemetery, Inc. and Rizal Commercial Banking Corporation. ***His past experiences include:*** **President, Chief Executive Officer and Executive Director** of Rizal Commercial Banking Corporation. As RCBC President, CEO and Executive Director, he led the re-launch and re-branding of the bank to stay relevant amidst the changing banking landscape; **President and Chief Executive Officer** of Development Bank of the Philippines; **Member** of Makati Business Club, Management Association of the Philippines and Investment Committee, De La Salle Philippine School System; **Board Member** of Banker Association of the Philippines, BANCNET and Philippine Payments Management Inc. ***Educational Background:*** Mr. Buenaventura holds a Master of Business Administration in Finance from University of Wisconsin, Madison, Wisconsin.

ROBERTO F. DE OCAMPO, 74, Filipino, former Secretary of Finance, is an **Independent Director** from 2000 to present. He is also the **Chairman** of the British Alumni Association, Philippine Veterans Bank, Philam Asset Management, STRADCOM, and Foundation for Economic Freedom; **Chairman and Board member** of Alaska Milk Corp., Centennial Asia Advisors Pte. Ltd. (Singapore), Centennial Group (Washington, D.C.), EEI Corp., Investment & Capital Corp. of the Philippines (ICCP) Group of Companies, Philam Asset Management Inc., Phinma Corp., Robinson's Land Corp., **Chairman of the Board of Advisers** of the RFO Center for Public Finance & Regional Economic Cooperation, which is an ADB Regional Knowledge Hub; **Co-Vice Chairman** of the Makati Business Club; **Founding Partner** of a Global Advisory Group (Centennial Group), Washington, D.C.; **Founding Director** of Global Economic Forum: The Emerging Markets Forum; **Emeritus Member** of the Financial Executives of the Philippines (FINEX). **Board of Advisers** of the Conference Board, New York. ***His past experiences:*** **Chairman and CEO** of Development Bank of the Philippines; **Chairman,** Land Bank of the Philippines, former member of Board of Governors of

World Bank, Asian Development Bank (ADB), and International Monetary Fund. **President** of Asian Institute of Management, **President,** Management Association of the Philippines (MAP); **Member** of the AIM Board of Trustees. ***Educational Background:*** Doctorate of Humane Letters (Honoris Causa) from San Beda College, Doctorate in Philosophy in Business Administration (Honoris Causa) from De La Salle University, Doctorate in Laws (Honoris Causa) from Philippine Women's University, Doctorate in Public Administration (Honoris Causa) from University of Angeles City, Fellow in Development Administration (DDA) from London School of Economics, UK; Master in Business Administration from University of Michigan, USA; and Bachelor of Arts Major in Economics from Ateneo De Manila University, Philippines.

FRANCISCO H. LICUANAN III, 76, Filipino, is an **Independent Director** since 2006 to present. He is also **Chairman & CEO** of Battery Park Investment, Inc., Geo EState Development Corporation and New Pacific Resources Management Inc.; **President & CEO** of Innovative Property Solutions, Inc.; **President** of Stonebridge Corporation ***Educational Background:*** Master of Business Administration from Harvard Business School, USA; Bachelor of Arts in Economics (cum laude) from Ateneo De Manila University, Philippines.

JUAN B. SANTOS, 81, Filipino, was elected as an **Independent Director** in 2014. He is also a **Director** of Allamanda Management Corporation, Alaska Milk Corporation, Philippine Investment Management, Inc., Philippine Investment Management Corp., Rizal Commercial Banking Corporation, Sunlife Grepa Financial, Inc.; **Chairman, Board of Trustee** of Dualtech Training Center Foundation, Inc.; **Trustee** of St. Luke's Medical Center; **Member of the Board of Advisors** of East-West Seeds Co., Mitsubishi Motor Phil. Corporation; **Consultant** of Marsman-Drysdale Group of Companies. ***His past experiences include:*** **Chairman** of Social Security System; **Secretary** of Trade and Industry, Philippines ; **Chairman and CEO** of Nestle Philippines, Singapore and Thailand; **Director** of Philex Mining Corporation, Philippine Long Distance Telephone Company (PLDT), San Miguel Corporation; ***Educational Background:*** Advanced Management from International Institute of Management Development (IMD), Lausanne, Switzerland; Post-graduate studies on Foreign Trade from Thunderbird School of Global Management, Arizona, USA; and Bachelor of Science in Business Administration from Ateneo De Manila University, Philippines.

ERMILANDO D. NAPA, 70, Filipino, was elected as an **Independent Director** in 2016. He is also the **Founding CEO** of Manila Consulting & Management Co., Inc., and Catanauan Resources and Development Corp.; **Independent Director** at National Reinsurance Corporation of the Philippines (Nat Re).; **Chairman** of the Audit Committee of Nat Re, Chairman of the Interim Governance Board of the National Life Insurance Company of the Philippines (NLIC), Chairman of the Court Appointed Board of Liquidators of Capitol Hills Golf and Country Club Inc. ***His previous professional experience include*** being a **President and CEO**, and **Vice Chairman** of the Board of Trade and Investment Development Corporation aka Philippine Export – Import Credit Agency, **Partner** of SyCip Gorres & Velayo Company (Philippines), a **Principal** of Kassim Chan & Company in Kuala Lumpur, Malaysia (a former member firm of SGV Group and Delloite Haskins & Sells International), and a **Manager** of Arthur Andersen in New York. In 2013, he was appointed as **Conservator** of the National Life Insurance Company (NLIC) and spearheaded its rehabilitation. ***Educational background:*** Attended special trainings and various courses such as Strategic Management and IMPACT Productivity Improvement in Chicago and Corporate Finance in New York and various corporate governance courses. He holds a bachelor's degree in Business Management from Aquinas University (1970) and a master's degree in Management from the Asian Institute of Management (1980).

JOHN MARK S. FRONDOSO, 45, Filipino, was elected as an **Independent Director** in December 2016. He is the **President** of FSG Technology Ventures, Inc. (Digipay); **President** of Star Two Holdings, Inc.; **Trustee and Chairman of the Investment Committee** of the Philippine Public School Teachers Association; **Director** of HC Consumer Finance Philippines, Inc. (Home Credit); **Chairman & President** of FSG Capital, Inc. ***His Past experiences include:*** **Philippine Chief Representative & Executive Director** of Morgan Stanley(Singapore) Holdings Pte Ltd.; **Associate Director** of Barclays Capital (Investment Banking Division of Barclays Bank PLC). ***Educational Background:*** Bachelor of Science in Industrial Management (University Honors) from Carnegie Mellon University, USA.

LORENZO ANDRES T. ROXAS, 56, Filipino, is a nominee for Director. He is the **Managing Director & Nominee** at Philippine Equity Partners, Inc.; **Director** of RCBC Capital Corporation, RCBC Bankard Services Corporation, ATRAM Investment Management Partners Corporation, and ATR Holdings, Inc.; **Advisory Board Member** of PhilExcel Corporation; **Board of Governors and Treasurer**, Philippine Association of Securities Brokers and Dealers, Inc., and **Chairman and President**, LTR Holdings, Inc. ***His past experiences include*: Director** of Asian Life & General Assurance Corporation, Tullett Prebon (Philippines), Inc. and Maybank ATR Kim Eng Capital Partners, Inc.; **Board of Governors** of the Philippine Association of Securities Brokers and Dealers, Inc.; and **Chairman of the Board, President, and Director** of Maybank ATR Kim Eng Securities, Inc. ***Educational Background:*** Masters in Business Administration, Northwestern University's Kellogg School of Management and The Hong Kong University of Science and Technology and Bachelor of Arts Degree in Interdisciplinary Study, Ateneo de Manila University.

EXECUTIVE OFFICERS:

GEMA O. CHENG, 55, Filipino, is the **Executive Vice President – Chief Operating Officer, Chief Finance Officer and Treasurer**. She also holds the following positions within the group: **Executive Vice President – Chief Financial Officer** of iPeople, inc.; **Chairman and President** of Investment Managers, Inc.; **Director, Vice President for Finance and Treasurer** of Landev Corporation; and serves as **Director of** the following: Malayan Colleges Laguna, Inc., A Mapua School , Malayan Colleges Mindanao, A Mapua School, La Funeraria Paz-Sucat, Inc. and Manila Memorial Park Cemetery, Inc. She was previously a **Senior Vice President** of SM Investments Corp. seconded as **Treasury Head** of SM Prime and its various business segments (Malls, Hotels & Conventions, Residences, Leisure and Commercial Properties Group) with concurrent role as CFO of the Commercial Properties Group; . ***Educational Background:*** Bachelor of Arts in Economics (Magna Cum Laude) from the University of the Philippines-Diliman, Philippines; Certificate of Special Studies in Administration and Management from Harvard University, USA.

ALEXANDER ANTHONY G. GALANG, 59, Filipino, is the **Senior Vice President for Internal Audit** since 2009. He was **Vice President** of the company from 2004 to 2009. He is a Certified Public Accountant (CPA) having placed 12th in the 1981 licensure exams. He has a Global Certification as a Certified Fraud Examiner (CFE) and a Certification in Risk Management Assurance (CRMA). ***Educational Background:*** Bachelor of Science in Business Administration Major in Accounting (Cum Laude) from University of Sto. Tomas, Philippines.

JOSELITO D. ESTRELLA, 55, Filipino, is the **Senior Vice President - Chief Information Officer**. ***His past experiences include:*** **Senior Vice President – Chief Information Officer** of iPeople inc., **President** of Pan Pacific Computer Center Inc.,**Vice President for Sales & Marketing** of AGD Infotech Inc. ***Educational Background:*** Bachelor of Science in Commerce Major in Management from San Beda College; Master of Science in Information Technology from De La Salle University.

MA. ESPERANZA F. JOVEN, 49, Filipino, is the **Vice President for Finance**. She is also the **Vice President for Finance & Treasurer** in HI-Eisai Pharmaceuticals, Inc.; and a **Director** in Manila Memorial Park Cemetery, Inc., La Funeraria Paz-Sucat, Inc., and San Lorenzo Ruiz Investment Holdings & Services, Inc. ***Her past experiences include:*** **Vice President for** Finance of iPeople, inc.; **Director** of Zamboanga Industrial Finance Corporation; **MSCF Program Coordinator** and **Assistant Professional Lecturer** at De La Salle University. She also held the Series 7, 63, and 24 licenses with the Financial Industry Regulatory Authority (FINRA), The Nasdaq Stock Market, and in the 52 states and territories of the USA. ***Educational Background:*** Master of Science in Computational Finance and Bachelor of Science in Applied Mathematics from De La Salle University-Manila.

MARIA ELISA E. DE LARA, 51, Filipino, is the **Vice President for Internal Audit** since 2013. She joined the company in October 2010 and was appointed as **Assistant Vice President** for Group Internal Audit effective January 2011. She is a Certified Public Accountant and holds a Global Certification in Risk Management Assurance (CRMA). ***Educational Background:*** Bachelor of Science in Business Administration Major in Accounting (Magna Cum Laude) from the Philippine Women's University.

MARIA TERESA T. BAUTISTA, 47, Filipino, is the **Vice President - Controller** since July, 2017. She is also the **Controller** of Landev Corporation; **Chief Financial Officer** of Greyhounds Security and Investigation Agency Corp., Investment Managers Inc., People eServe Corp., Xamdu Motors, Inc., Zamboanga Carriers, Inc. and Zambowood Realty and Development Corp.; **CFO and Treasurer** of Hexagon Lounge, Inc.; **Treasurer** of Secon Professional Security. She is a Certified Public Accountant, holds a Global Certification for Internal Auditors (CIA) and has completed the Six Sigma Green Belt Program. ***Educational Background:*** Bachelor of Science in Commerce, major in Accounting, from St. Paul College, Philippines.

EDGARDO AUGUSTO R. GRAU, JR., **53**, **Filipino**, is the **Vice President – Chief Risk Officer**. He was appointed to the position in July 9, 2019. ***His previous affiliations include***: Examiner, Financial Analyst and Policy Developer at the Office of The Comptroller of the Currency (an agency under the US Department of Treasury). In this capacity, he provided supervisory monitoring of local and regional financial institutions, both healthy and distressed. He has expertise in mortgage banking, real estate lending, asset securitization, risk management, consumer compliance, and holding company oversight. He has consulting experience with startups as well as small-to-medium sized enterprises. ***Educational Background:*** Bachelor of Business Administration (Magna Cum Laude) from Seton Hall University, USA

LALAINE P. MONSERATE, 56, Filipino, joined the Company in November, 2016 as **Assistant Vice President – Legal and Compliance Officer**. She was appointed **Data Privacy Officer** for the Company on June 2017 up to the present. She is also the Corporate Secretary of Greyhounds Security and Investigation Agency Corporation from August 2018 to present. ***Her past experiences include:*** **Assistant Director** of the Investigation and Prosecution Division, Enforcement and Investor Protection Department of the Securities and Exchange Commission (SEC). She spent 12 years at the SEC, rising from the ranks, i.e. from Securities Investigator, Securities Counsel, Chief Counsel, Division Head and Assistant Director. ***Educational Background***: Bachelor of Laws and Bachelor of Arts in Political Science from the University of Nueva Caceres in Naga City. She passed the Bar Examinations in 1999.

SAMUEL V. TORRES, 55, Filipino, is the **Corporate Secretary.** His other present positions include: **General Counsel & Corporate Secretary** of Pan Malayan Management & Investment Corporation and **Corporate Secretary** of A. T. Yuchengco, Inc., A Y Foundation, Inc., A.Y. Holdings, Inc., Bankers Assurance Corp., Bluehounds Security and Investigation Agency, Inc., Luisita Industrial Park Corp., RCBC Bankard Services, Inc., Enrique T. Yuchengco, Inc. Investment Managers, Inc., Sun Life Grepa Financial, Inc., Grepaland, Inc., Grepa Realty Holdings Corporation, PetroEnergy Resources Corp., Seafront Resources Corp., GPL Cebu Tower Office Condominium Corp., Hexagon Integrated Financial & Insurance Agency, Inc., Hexagon Lounge, Inc., iPeople, inc., RCBC Land, Inc., RCBC Forex Brokers Corp., RCBC Realty Corp., RCBC Securities, Inc., RCBC Capital Corporation, Malayan High School of Science, Inc., Malayan Education System, Inc., Malayan Colleges Mindanao (A Mapua School), Inc., Malayan Colleges Foundation, Inc., Malayan Information Technology Center, Inc., Malayan Colleges Laguna, Inc Led by A Mapua School, Affordable Private Education, Inc. doing business under the name of APEC SCHOOLS, AC College of Enterprise and Technology, Inc., Linc Institute, Inc., GPL Holdings, Pan Pacific Computer Center, Inc., Honda Cars Kalookan, Inc., Hi-Eisai Pharmaceutical, Inc., People eServe Corp., La Funeraria Paz Sucat, Inc., Landev Corp., Pan Malayan Express, Inc., Pan Malayan Realty Corp., Philippine Advertising Agency, Inc., First Nationwide Assurance Corp., Malayan Insurance Co., Inc., MICO Equities, Inc., and Tokio Marine Malayan Insurance Corp. ***Educational Background:*** Bachelor of Laws, Ateneo De Manila University School of Law; Bachelor of Science in Business Economics, University of the Philippines.

MA. ELVIRA BERNADETTE G. GONZALEZ, 43, Filipino, is the **Assistant Corporate Secretary**. She is also the **Assistant General Counsel** of Pan Malayan Management & Investment Corporation and **Corporate Secretary** of Blackhounds Security and Investigation Agency, Inc. and the **Assistant Corporate Secretary** of iPeople, inc., Malayan Colleges Mindanao (A Mapua School), Inc., Affordable Private Education, Inc. doing business under the name of APEC SCHOOLS, AC College of Enterprise and Technology, Inc., Linc Institute, Inc., Yuchengco Tower Office Condominium Corp., Y Tower II Office Condominium Corp., and GPL Holdings, Inc. ***Educational Background:*** Juris Doctor, Ateneo De Manila University School of Law; Bachelor of Arts in Political Science, Ateneo De Manila University.

Nominations for Independent Directors and Procedures for Nomination

Following rules and procedures shall apply to the nomination and election of Independent Directors.

a) The Board shall have at least three (3) independent directors or such number as to constitute one-third (1/3) of the Board, whichever is higher. An independent director is one who is independent of management and free from 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 director, and must possess all of the qualifications, and none of the disqualifications as prescribed by the Bangko Sentral Ng Pilipinas, Securities and Exchange Commission and other regulatory authorities, from time to time.
b) The Corporate Governance, Nomination, and Related Party Transactions Committee composed of three (3) members shall promulgate the guidelines or criteria to govern the conduct of the nominations:
c) Nomination of independent director shall be conducted by the Corporate Governance, Nomination and Related Party Transactions Committee prior to the stockholders' meeting. All recommendations shall be signed by the nominating stockholders together with the acceptance and conformity by the would-be nominees.
d) The Corporate Governance, Nomination, and Related Party Transactions Committee shall pre-screen the qualifications and prepare a final list of all candidates and put in place screening policies and parameters to enable it to effectively review the qualifications of the nominees for independent directors;
e) After the nomination, the Corporate Governance, Nomination, and Related Party Transactions Committee shall prepare a Final List of Candidates which shall contain all the information about all the nominees for independent directors, as required by existing and applicable rules, which list, shall be made available to the Commission and to all stockholders through the filing and distribution of the Information Statement, or in such other reports the Company is required to submit to the Commission. The name of the person or group of persons who recommended the nomination of the independent director shall be identified in such report including any relationship with the nominee;
f) Only nominees whose names appear on the Final List of Candidates shall be eligible for election as Independent Directors. No other nominations shall be entertained after the Final List of Candidates shall have been prepared. No further nominations shall be entertained or allowed on the floor during the actual annual stockholders' meeting.
g) Election of Independent Directors
    - Subject to pertinent existing rules and regulation of SEC, the conduct of the election of independent directors shall be made in accordance with the standard election procedures of the By-laws.
    - It shall be the responsibility of the Chairman of the Meeting to inform all stockholders in attendance of the mandatory requirement of electing independent directors. He shall ensure that independent directors are elected during the stockholders' meeting.
    - Specific slots for independent directors shall not be filled up by unqualified nominees.

In case of failure of elections for independent directors, the Chairman of the Meeting shall call a separate election during the same meeting to fill up the vacancy.

The following were nominated to the position of directors of the Company for the year 2020-2021:

Regular Directors

1) Ms. Helen Y. Dee
2) Mr. Lorenzo V. Tan
3) Atty. Wilfrido E. Sanchez
4) Ms. Yvonne S. Yuchengco
5) Mr. Medel T. Nera
6) Mr. Gil A. Buenaventura
7) Mr. Lorenzo Andres T. Roxas

Independent Directors

1) Dr. Roberto F. de Ocampo
2) Mr. Francisco H. Licuanan III
3) Mr. Juan B. Santos

4) Mr. John Mark S. Frondoso

Except for Mr. Lorenzo Andres T. Roxas, the above-mentioned nominees are all incumbent members of the Board of Directors.

The nominees for independent directors are neither officers nor employees, consultants or retainers, legal or otherwise, of the Company or any of its affiliates, and do not have any relationship with the Company which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. The Corporate Governance, Nominations, and Related Party Transactions Committee passed upon their qualifications and found no disqualifications, as provided for in the by-laws and in accordance with SRC Rule 38.

The Company adopted the SEC mandatory Term Limits for Independent Directors of a maximum cumulative term limit of nine (9) years from the reckoning year of 2012, then permanently barred from serving as Independent Director of the Company. The nominees for independent directors are within the Term Limits of the SEC Memorandum Circular No. 4, Series of 2017, which took effect on March 9, 2017.

Ms. Luisa Banawa, a stockholder of the Company, who is not in any way related to the nominees, nominated Messrs. Roberto F, de Ocampo, Francisco H. Licuanan III, Juan B. Santos, and John Mark S. Frondoso as independent directors.

The Corporate Governance, Nominations, and Related Party Transactions Committee reviews and evaluates the qualifications of all persons nominated as director as well as those to be nominated to other positions requiring appointment by the Board of Directors. With respect to the independent directors, their nomination and qualification by the Corporate Governance, Nominations, and Related Party Transactions Committee were in compliance with the Company's By-Laws, Manual of Corporate Governance, and SRC Rule 38. The directors so nominated possess all the qualifications and none of the disqualifications for independent directors. (Attached as Annexes 1 to 5 are the Certifications of Independent Directors)

Period in Which the Directors and Executive Officers Should Serve

The Directors of the Company are elected at the Annual Stockholders' Meeting to hold office until the next succeeding annual meeting or until their respective successors have been elected and qualified. In compliance with SEC Memorandum No. 4 dated March 9, 2017, all Independent Directors shall serve a maximum cumulative term limit of nine (9) years from the reckoning year of 2012.

Officers are appointed or elected annually by the Board of Directors at its first Organizational meeting following the Annual Meeting of Stockholders, each to hold office until the corresponding meeting of the Board of Directors in the next year or until a successor shall have been elected, appointed or shall have qualified.

Terms of Office of a Director

Pursuant to the Company By-Laws, the directors who shall be stockholders are elected annually by the stockholders for a term of one year and shall serve until the election and acceptance of their duly qualified successors. The composition of the members of the Company's various committees for 2019-2020 are as follows:

Committee Membership of Directors

Executive Committee

Helen Y. Dee	Chairman
Lorenzo V. Tan	Member
Medel T. Nera	Member
Juan B. Santos	Member
Francisco H. Licuanan, III	Member
Gil A. Buenaventura	Member

Remuneration Committee

Wilfrido E. Sanchez	Chairman
Roberto F. de Ocampo	Member
Juan B. Santos	Member

Audit and Related Party Transactions Committee

Roberto F. de Ocampo	Chairman
Ermilando D. Napa	Member
Wilfrido E. Sanchez	Member

Board Risk Oversight Committee

Ermilando D. Napa	Chairman
Medel T. Nera	Member
John Mark S. Frondoso	Member

Corporate Governance, Nomination and Related Party Transactions Committee

Juan B. Santos	Chairman
John Mark S. Frondoso	Member
Roberto F. De Ocampo	Member

Resignation of Directors

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

Election of Directors

The Directors of HI are elected at the annual stockholders' meeting to hold office until the next succeeding annual meeting or until their respective successors have been elected and qualified.

Appointment of Officers

Officers are appointed or elected annually by the Board of Directors at its first meeting following the Annual Meeting of Stockholders, each to hold office until the corresponding meeting of the Board of Directors in the next year or until a successor shall have been elected, appointed or shall have qualified.

Significant Employees

There is no person who is not an executive officer that is expected by the issuer to make a significant contribution to the business.

Family Relationships

Mrs. Helen Y. Dee and Ms. Yvonne S. Yuchengco are siblings.

Other than what is disclosed above, there are no other family relationships known to the registrant.

Interest on Certain Matters to be Acted Upon

No director or officer of the Company has substantial interest, direct or indirect, in any matter to be acted upon in the meeting.

Certain Relationships and Related Transactions

There is no director, executive officer, nominee for director, beneficial holder, or any family member involved in any business transaction with HI and subsidiaries.

There are no material transactions which were negotiated by the Company with parties whose relationship with the Company fall outside the definition of "related parties" under Philippine Accounting Standards 24, Related Party Disclosures, but with whom the Company has relationship that enables such parties to negotiate terms that may not be available from other, more clearly independent parties on an arm's length basis.

Please refer to Note 22 of the consolidated financial statements for the details of related party transactions. As discussed in the notes, in the normal conduct of business, other transactions with certain affiliates include sharing in general and administrative expenses and cash advances.

Involvement in Legal Proceedings

The Company is not aware and none of the directors and officers or persons nominated to become directors or officers has informed the Company of the following events during the past five years until May 31, 2020:

(a) any bankruptcy petition filed by or against any business of which any of its director or executive officers was a general partner or executive officer either at the time of bankruptcy or within two (2) years prior to that time.

(b) any conviction by final judgment of any director or senior executive in a criminal proceeding domestic or foreign or being subject to a pending criminal proceeding domestic or foreign, of any director, executive officer or person nominated to be a director

(c) any director or senior executive being subject to any order, judgment or decree not subsequently reversed suspended or vacated of any court of competent jurisdiction, domestic or foreign permanently or temporarily enjoining barring, suspending or otherwise limiting such directors' or executive officer's involvement in any type of business securities, commodities or banking activities

(d) any executive officer or director found by a domestic or foreign court of competent jurisdiction, the Commission or other foreign body or a domestic or foreign Exchange or other organized trading market or self-regulatory organization to have violated a securities or commodities law or regulation and the judgment has not been reversed, suspended, or vacated.

Item 6: Compensation of Directors and Executive Officers

Information as to the aggregate compensation paid or accrued during the last two fiscal years and to be paid in the ensuing fiscal year to the Company's Chief Executive Officer and other officers follows:

NAME AND POSITION	YEAR	SALARY	BONUS	OTHER ANNUAL COMPENSATION
The top 5 executives of the Company are as follows: 1. Lorenzo V. Tan, President & CEO 2. Gema O. Cheng, EVP – Chief Operating Officer, Chief Financial Officer & Treasurer 3. Alexander Anthony G. Galang, SVP – Internal Audit 4. Joselito D. Estrella, SVP – Chief Information Officer 5. Edgardo Augusto R. Grau, Jr., VP – Chief Risk Officer	2020	P 39.5M (est)	P0	P0
	2019	P 31.8M	P0	P0
	2018	P 33.8M	P0	P0
All other officers and directors as group unnamed.	2020	P46.4M (est)	P0	P1.2M (est)
	2019	P43.0M	P0	P0.9M
	2018	P27.8M	P0	P0.7M
TOTALS	2020	P86.1M(est)	P0	P1.2M (est)
	2019	P74.8M	P0	P0.9M
	2018	P61.5M	P0	P0.7M

The table states the aggregate compensation of all directors and executive officers as a group. Other Annual Compensation pertains to per diem allowances given to Directors as discussed below.

Directors are paid a per diem of P25,000 for attendance in a Board meeting. Board meetings are scheduled every quarter in a year. A director is also paid a per diem of P10,000 for participation in Audit and Risk committee meetings and P5,000 in other committee meetings.

Item 7: Independent Public Accountants

The Accounting firm of Sycip Gorres Velayo and Company (SGV & Co.), with office address at 6760 Ayala Avenue, SGV Building, Makati City, Philippines, has been the Company's Independent Auditors since the Company's incorporation, and has been recommended to serve as such for the current year.

Pursuant to SRC Rule 68, paragraph 3(b)(iv) and Memorandum Circular No. 8, series of 2003 (Five (5) Year Rotation of External Auditors), the Company has engaged Ms. Wenda Lynn M. Loyola, as the Engagement Partner of SGV & Co. effective 2016.

The engagement of the external auditors was favorably endorsed by the Audit Committee to the Board of Directors. The engagement is ultimately submitted for approval of the stockholders.

<u>Disagreement with Accountants on Accounting and Financial Disclosure</u>
There was no event for the last 5 years where SGV & Co. had any disagreement with regard to any matter relating to accounting principles or practices, financial statement disclosure or auditing scope or procedure.

<u>Attendance of Accountants at the Meeting</u>
Representatives of SGV & Co. are expected to be present at the annual stockholders meeting on August 17, 2020 with the opportunity to make any statement, if they so desire, and will be available to respond to appropriate questions on the Company's financial statements.

<u>External Audit Fees and Services</u>
The Company has engaged SGV & Co. as the external auditor, and is tasked to conduct the financial audit of the Company. For this service, SGV & Co. has billed the company the following amounts:

YEAR	AUDIT FEE BILLING
2019	P3,296,450
2018	P3,182,750
2017	P3,021,500

The Company has not engaged SGV & Co. for any other services aside from its annual audit for the last five (5) years.

<u>Tax Fees</u>
The Company has not engaged the services of the external auditor for tax accounting, compliance, advice, planning and any other form of tax services.

<u>All Other Fees</u>
There are no other fees billed in each of the last two years for the products and services provided by the external auditor, other than the services reported under the items mentioned above.

Item 8: Compensation Plans
No action shall be taken with respect to any plan pursuant to which cash or non-cash compensation may be paid or distributed.

C. ISSUANCE AND EXCHANGE OF SECURITIES

Item 9: Authorization or Issuance of Securities Other than for Exchange
No action is to be taken with respect to the following:

1. modification or exchange of securities

2. financial and other information
3. mergers, consolidation, acquisition and similar matters
4. restatement of accounts

Item 10. Modification or Exchange of Securities

No action is to be taken with respect to the modification of any class of securities of the registrant, or the issuance or authorization for issuance of one class of securities of the registrant in exchange for outstanding securities of another class.

Item 11: Financial and Other Information

The audited financial statements as of December 31, 2019, Management Discussion and Analysis, Market Price of Shares and Dividends and other date related to the Company's financial information is attached hereto as **"Annex C"**

Item 12: Mergers, Consolidations, Acquisitions and Similar Matters

No action is to be taken with respect to any transaction involving the following:

1. the merger or consolidation of the registrant into or with any other person or of any other person into or with the registrant;
2. the acquisition by the registrant or any of its security holders of securities of another person;
3. the acquisition by the registrant of any other going business or of the assets thereof;
4. the sale or other transfer of all or any substantial part of the assets of the registrant; or
5. the liquidation or dissolution of the registrant.

Item 13: Acquisition or Disposition of Property

No action is to be taken with respect to the acquisition or disposition of any property.

Item 14: Restatement of Accounts

No action is to be taken with respect to the restatement of any asset, capital, or surplus account of the registrant.

D. OTHER MATTERS

Item 15: Action With Regard to Reports

The Minutes of the previous stockholders meeting held on July 19, 2019 and the Management Report as set forth in the Annual Report will be submitted for stockholders approval.

The voting procedure utilized for election and approval of corporate actions in which Stockholders' approval were required was by "viva voce". The stockholders present in person and by proxy are represented by 493,071,160 common shares and 601,717,252 preferred shares, or 88.68% of the total outstanding shares entitled to vote.

The stockholders were given the opportunity to ask questions after the President's Report and before the meeting was adjourned. The questions asked and the answers given form part of the Minutes of the Annual Stockholders' Meeting, which is attached herewith.

The following matters were discussed and approved with no further comments or objections during the meeting:

1. Approval of the July 20, 2018 Minutes constitutes a ratification of the accuracy and faithfulness of the Minutes of the events that transpired during the said meeting, such as (a) 2017 annual report and audited financial statements, (b) ratification of the actions of the Board of Directors, different Committees and Management during the year 2017, (c) election of directors, and (d) appointment of external auditors.

2. Approval of the 2018 Management and Annual Report constitutes a ratification of the Company's performance during the previous calendar years as contained in the Annual Report.

3. Ratification and confirmation of all the acts, resolutions and proceedings of the Board of Directors, Executive Committee and officers of the Company. This pertains

to all acts resolutions, proceedings and approval made by the Board of Directors, Executive Committee and Officers of the Company from the last stockholders' meeting on July 20, 2018 for the period 2018 up to the date of meeting (July 19, 2019). This includes, among others, those that involve the day to day operations, administrations and management of the corporate affairs such as: a) opening/closing of bank accounts and delegation of bank signatories; b) approval of loans; c) redemption of preferred shares; d) declaration of cash dividends; e) appointment/promotion of officers; and f) ratification of the non-binding term sheet for the merger of iPeople, inc. with AC Education, Inc.

4. Election of Directors for 2019-2020.

5. Re-appointment of Sycip Gores Velayo & Co. as external auditor of the Company for the fiscal year ending 31 December 2019.

The record of the voting results for each of the items listed above form part of the Minutes of the Annual Stockholders' Meeting, which is attached herewith.

The following directors and officers were present at the meeting:

Directors:
1. Mrs. Helen Y. Dee, Chairperson
2. Mr. Medel T. Nera, President
3. Ms. Yvonne S. Yuchengco
4. Mr. Lorenzo V. Tan
5. Dr. Reynaldo B. Vea
6. Atty. Wilfrido E. Sanchez
7. Mr. Juan B. Santos
8. Mr. Ermilando D. Napa

Officers:
9. Ms. Gema O. Cheng, EVP-COO, CFO and Treasurer
10. Mr. Anthony Alexander G. Galang, SVP-Internal Audit
11. Ms. Ma. Esperanza F. Joven, VP-Finance
12. Ms. Ma. Teresa T. Bautista, VP-Corporate Controller
13. Ms. Maria Elisa E. De Lara, VP-Internal Audit
14. Atty. Lalaine P. Monserate, AVP-Legal and Compliance Officer
15. Atty. Samuel V. Torres, Corporate Secretary
16. Atty. Ma. Elvira Bernadette C. Garcia-Gonzalez, Assistant Corporate Secretary

The President's Report, which includes the financial performance of the Company form part of the minutes which is attached herewith. Approval of the Audited Financial Statements, which is provided to the stockholders is likewise stated in the minutes. All material information on current stockholders and their voting rights are stated in the Minutes.

Copies of the minutes of the stockholders' meeting were sent together with the Information Statement and likewise shall be given to the stockholders at the meeting.

Approval of the July 19, 2019 Minutes constitutes a ratification of the accuracy and faithfulness of the Minutes of the events that transpired during the said meeting, such as (a) 2018 annual report and audited financial statements, (b) ratification of the actions of the Board of Directors, different Committees and Management during the year 2018, (c) election of directors, and (d) appointment of external auditors.

Approval of the Annual Report constitutes a ratification of the Company's performance during the previous calendar years as contained in the Annual Report.

Ratification and confirmation of all the acts, resolutions and proceedings of the Board of Directors, Executive Committee and officers of the Company. This pertains to all acts resolutions, proceedings and approval made by the Board of Directors, Executive Committee and Officers of the Company from the last stockholders' meeting on July 20, 2018 for the period 2018 up to the date of meeting (July 19, 2019). This includes, among others, those that involve the day to day operations, administrations and management of the corporate affairs such as: a) opening/closing of bank accounts and delegation of bank signatories; b) approval of loans; c) redemption of preferred shares; d) declaration of cash dividends; e) appointment/promotion of officers; f) approval of the Related Party Transactions Policy; and other matters covered by disclosures to the Securities and Exchange Commission and the Philippine Stock Exchange.

Item 16: Matters Not Required to be Submitted

No action is to be taken with respect to any matter, which is not required to be submitted to a vote of security holders.

Item 17: Amendment of Charter, Bylaws or Other Documents

Amendment of Article First of the Articles of Incorporation and the Bylaws to reflect the change in the corporate name of the Company

Article No.	FROM	TO
Article First	That the name of said corporation shall be: House of Investments, Inc. doing business also under the name of Honda Cars Quezon City, Honda Cars Manila, Honda Cars Marikina, Honda Cars Fairview, Honda Cars Tandang Sora, Honda Cars Marcos Highway, Isuzu Manila, Isuzu Commonwealth, Isuzu Greenhills, and Isuzu Leyte.	That the name of said corporation shall be: House of Investments, Inc.

Amendment of Article Third of the Articles of Incorporation to reflect the change in the principal office address of the Company

Article No.	FROM	TO
Article Third	That the PLACE where the principal office of the Corporation is to be established or located is at 3rd Floor, Grepalife Building, 219 Sen. Gil J. Puyat Avenue, Makati City, Metro Manila, Philippines.	That the PLACE where the principal office of the Corporation is to be established or located is at 9th Floor, Grepalife Building, 221 Sen. Gil J. Puyat Avenue, Makati City, Metro Manila, Philippines.

Except for the proposed amendments on the Company's corporate name and principal office address, no other amendments to its charter, bylaws or other documents will be made.

Item 18: Other Proposed Action

The following matters will be submitted to a vote at the meeting:

1. Approval of the Minutes of the Annual Stockholders' Meeting held on July 19, 2019.
2. Approval of the Management Report and the Audited Financial Statements of the Company for the year ended December 31, 2019;
3. Amendment of Article First of the Articles of Incorporation to reflect the change in the corporate name of the Company
4. Amendment of Article Third of the Company's Articles of Incorporation to reflect the change in the principal office address of the Company
5. Ratification and confirmation of all acts, resolutions and proceedings of the Board of Directors, Executive Committee, Other Committees and Officers of the Company during the year 2019.
6. Election of Directors for 2020-2021.
7. Appointment of External Auditors

Item 19: Voting Procedures

All shareholders who wish to cast their votes may do so via the method provided for voting by remote communication or *in absentia*, or by providing the proxy form provided herein. The procedures for voting *in absentia* shall be provided securely through the emails of the stockholders.

At all elections of Directors, each stockholder may vote the shares registered in his/her/its name for as many persons as there are Directors, or he may cumulate said shares and give one candidate as many votes, as the number of Directors to be elected multiplied by the number of his share, or he may distribute them on the same principle among as many candidates as he shall see fit; provided, however, that the whole number of votes cast by him shall not exceed the number of shares owned by him as shown on the Company's stock transfer books multiplied by the number of Directors to be elected.

The Company will not declare stock dividends during the year.

Corporate Governance

(a) Evaluation System to Measure Compliance with the Manual on Corporate Governance

The Company has monitored its compliance with Securities and Exchange Commission (SEC) Memorandum Circulars as well as all relevant Philippine Stock Exchange (PSE) Circulars on Corporate Governance. The Company continues to comply with the leading practices and principles on good corporate governance and appropriate self-rating assessment and performance evaluation to determine and measure its compliance with the said Manual on Corporate Governance.

The Company has submitted its Integrated Annual Corporate Governance Report (IACGR) for the period covering the years 2017 and 2018. For the period covering the year 2019, the Company will submit its IACGR on or before July 30, 2020. Note: The deadline should have been May 30, 2020 but due to COVID 19, this deadline was extended by SEC on July 30, 2020.

(b) Measures Undertaken to Fully Comply with Leading Practices on Corporate Governance

In its 2017 and 2018 Integrated Annual Corporate Governance Reports (IACGRs), the Company has complied with majority of all recommendations specified in the said Report. In 2019, except for two recommendations, the Company is compliant with all of the recommendations.

(c) Deviation from the Manual on Corporate Governance

There is no deviation from the Manual on Corporate Governance. This can be gleaned from the Integrated Annual Corporate Governance Report (IACGR) where majority of the recommendations were complied by the Company. In 2019, while there were two (2) recommendations which the Company cannot comply, the Company provided for substantial explanation (pursuant to the "comply or explain" approach required by SEC) including the fact that the principles recommended are still being achieved by the Company despite its non-compliance.

(d) Plans to Improve Corporate Governance

In order to improve the performance of the Chairperson and the Board of Directors, the Company required them to fill-out and submit an Annual Self-Assessment Questionnaire which is composed of varying statements on their roles, functions and responsibilities under the Manual on Corporate Governance. Likewise, the Company, as required under its Policy on Related Party Transactions, will implement the annual submission of Related Party Questionnaire in order to elicit information about any potential or actual related party transactions entered into by the Chairperson, the Board of Directors and the Company. In addition, it will also require them to submit a Biographical Data containing their personal information, work experience, family relations, and others, to determine their relatives within the third-degree of consanguinity and their related party transactions with the Company, if there is any.

The Company continuously monitors all relevant PSE and SEC Circulars on Corporate Governance that maybe used to improve compliance with the Manual on Corporate Governance.

The Company continues to adhere to the leading practices in good corporate governance as well as the Manual on Corporate Governance by requiring its Chairperson, Directors and Officers to attend the annual seminar on Corporate Governance conducted by entities accredited by the Securities and Exchange Commission (SEC).

UNDERTAKING

UPON WRITTEN REQUEST OF A STOCKHOLDER, THE COMPANY UNDERTAKES TO FURNISH THE STOCKHOLDERS WITH A COPY OF THE COMPANY'S YEAR 2019 ANNUAL REPORT ON SEC FORM 17-A FREE OF CHARGE. ANY WRITTEN REQUEST FOR A COPY OF SEC 17-A SHALL BE ADDRESSED AS FOLLOWS:

House of Investments, Inc.

Attention:	Officer of the Corporate Secretary
Address:	9th Floor GPL Building 221 Sen. Gil J. Puyat Avenue Makati City 1200 Philippines
Tel. No.:	(632) 815-9636
Fax No.:	(632) 816-1127
E-mail:	hi_asm2020@hoi.com.ph

SIGNATURES

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in Makati City on JUN 30 2020, 2020.

House of Investments, Inc.
By:

Atty. Lalaine P. Monserate
Compliance Officer

Atty. Samuel V. Torres
Corporate Secretary

SUBSCRIBED AND SWORN TO BEFORE ME THIS DAY OF JUN 30 2020 IN THE CITY OF MAKATI AFFIANT EXHIBITED HIS/HER COMMUNITY TAX CERTIFICATE NO ______ ISSUED AT ______ ISSUED ON ______

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PAGE NO. 98
BOOK NO. 112
SERIES OF 20

JOSHUA P. LAPUZ
Notary Public for Makati City
Appointment No. M-66 / Until 12-31-2021
Roll No. 45790 / IBP Lifetime No. 04897 / 7-3-03
PTR O.R. No. 8116016 / 1-2-20 / Makati City
MCLE No. VI-0016565 / 1-14-19
G/F, Fedman Suites, 199 Salcedo St.
Legazpi Village, 1229 Makati City

ANNEX 1

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **JOHN MARK S. FRONDOSO**, Filipino, of legal age and a resident of 1163 Tamarind Road, Dasmariñas Village, Makati City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of **HOUSE OF INVESTMENTS, INC.** and have been its independent director since December 2016.

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

Company/Organization	Position/Relationship	Period of Service
FSG Technology Ventures, Inc.	President	August 2017 – Present
Star Two Holdings, Inc.	President	March 2014 – Present
Philippine Public School Teachers Association	Trustee / Chairman of Investment Committee	July 2013 – Present
HC Consumer Finance Philippines, Inc. (Home Credit)	Director	July 2013 – Present
Asian Aerospace Corporation	Director	July 2013 – Present
FSG Capital, Inc.	Chairman & President	May 2012 - Present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of HOUSE OF INVESTMENTS, INC., as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations.

4. I am related to the following director/officer of HOUSE OF INVESTMENTS, INC. other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code:

Name of Director/Officer	Position	Nature of Relationship
Ms. Helen Y. Dee	Chairman/Director	I am a nephew of Ms. Dee and Ms. Yuchengco by virtue of my mother being their second cousin on the maternal side.
Ms. Yvonne S. Yuchengco	Director	

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

6. I confirm that I am not engaged in government service or affiliated with any government agency or government owned and controlled corporation.

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

8. I shall inform the Corporate Secretary of HOUSE OF INVESTMENTS, INC. of any changes in the abovementioned information within five days from its occurrence.

JUN 2 6 2020

Done this _____day of May 2020 at Makati City, Metro Manila, Philippines.

JOHN MARK S. FRONDOSO
Affiant

SUBSCRIBED AND SWORN to before me this JUN 2 6 2020 day of May 2020 at MAKATI CITY, affiant personally appeared before me and exhibited to me his Philippine Passport No. P9479137A, issued at DFA NCR East, and valid until November 8, 2028.

Doc. No. 499 ;
Page No. 100 ;
Book No. 100 ;
Series of 2020.

JOSHUA P. LAPUZ
Notary Public for Makati City
Appointment No. M-66 / Until 12-31-2021
Roll No. 45790 / IBP Lifetime No. 04897 / 7-3-03
PTR O.R. No. 8116016 / 1-2-20 / Makati City
MCLE No. VI-0016565 / 1-14-19
G/F, Fedman Suites, 199 Salcedo St.
Legaspi Village, 1229 Makati City

ANNEX 2

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **ERMILANDO D. NAPA**, Filipino, of legal age and a resident of 120 Bluebird Road, Moonville Subdivision, Parañaque City, after having been duly sworn to in accordance with law do hereby declare that:

1) I am a nominee for independent director of **HOUSE OF INVESTMENTS, INC.** and have been its independent director since July 2016.

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

Company/Organization	Position/Relationship	Period of Service
Manila Consulting & Management Co., Inc.	Founder/Chairman	1992 – Present
Catanauan Resources & Development Corporation	Founder/Chairman	1999 – Present
E&F Holdings, Inc.	Founder/Chairman	1997 – Present
L'Opera Group of Restaurants	Group Treasurer	2004 – Present
Manila Realty Holdings, Inc.	Founder/Chairman	1992 – Present
Power Assets, Inc.	Founder/Chairman	1999 – Present
National Reinsurance Corporation of the Philippines	Independent Director Chairman of the Audit Committee, Member of the Nomination and Compensation Committee; Member of the Risk Oversight Committee; Member of the Corporate Governance and Related Party Transactions Committee	2011 – Present
National Life Insurance Company of the Philippines	Chairman of the Interim Governance Board	2014 – Present
Capitol Hills Golf and Country Club, Inc.	Chairman- Court Appointed Board of Liquidator	2018 – Present

3) I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **HOUSE OF INVESTMENTS, INC.**, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations and other SEC issuances.

4) I am not related to any director, officer, or substantial shareholder of **HOUSE OF INVESTMENTS, INC.** or any of its subsidiaries and affiliates.

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

6) I am not employed nor affiliated with any government agency or government owned and controlled corporation ("GOCC").

7) I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code.

8) I shall inform the Corporate Secretary of HOUSE OF INVESTMENTS, INC. of any changes in the abovementioned information within five days from its occurrence.

Done this 26th day of May 2020 at Makati City, Metro Manila, Philippines.

ERMILANDO D. NAPA
Affiant

JUN 26 2020

SUBSCRIBED AND SWORN to before me this ____ day of May 2020 at MAKATI CITY, affiant personally appeared before me and exhibited to me his Philippine Passport No. P2512053B, issued at DFA Manila, and valid until July 10, 2029.

Doc. No. 498
Page No. 100
Book No. 109
Series of 2020.

JOSHUA P. LAPUZ
Notary Public for Makati City
Appointment No. M-66 / Until 12-31-2021
Roll No. 45790 / IBP Lifetime No. 04897 / 7-3-03
PTR O.R. No. 8116016 / 1-2-20 / Makati City
MCLE No. VI-0016565 / 1-14-19
G/F, Fedman Suites, 199 Salcedo St.
Legazpi Village, 1229 Makati City

ANNEX 3

CERTIFICATE OF INDEPENDENT DIRECTOR

I, Roberto F. de Ocampo, Filipino, of legal age and a resident of 121 Victoria Cor. Homonhon Sts. Magallanes Village, Makati, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of House of Investments and have been its independent director since June 5, 2000.

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

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
RFO Center for Public Finance and REGIONAL Economic Cooperation	Chairman of the Board of Advisors	2006
Philippine Veterans Bank	Chairman and CEO	2013
MoneyTree Publishing Inc.	Chairman	2007
Stradcom Corporation	Chairman	2003
Public Finance Institute of the Philippine	Chairman	2007
Intervest Project Inc. (IPI)	Chairman	2013
British Alumni Association	Chairman	2007
Libera International Advisory Board (London)	Chairman	2013
Foundation for Economic Freedom	Chairman	2012
Center for Philippine Futuristics Studies and Management Inc.	Chairman	2014
Makati Business Club	Vice-Chairman	2006
Centennial Group (Washington), D.C.	Founding Director	1999
Emerging Markets Forum	Founding Director	2005
HatchAsia Inc.	Independent Director	2010
Alaska Milk Corp.	Independent Director	1999
Bankard, Inc.	Independent Director	2006
EEI Corporation	Independent Director	2005
House of Investments	Independent Director	2000
Beneficial Life Insurance Co., Inc.	Independent Director	2008
Robinsons Land Corporation	Independent Director	2003
SPC Power Corporation	Independent Director	2002
DFNN Inc.	Independent Director	1999

Investment & Capital Corporation of the Philippines (ICCP)	Independent Director	2011
South Forbes City College	Director	2016
Business for Sustainable Development (**Philippine Business for the Environment, PBE**)	Board Member	2015
The Conference Board (New York)	Member, Global Advisory Board	2004
Corporate Governance Institute of the Philippines	Member, Board of Advisers	2004
Philippine Cancer Society	Member, Board of Advisers	1998
Ramos Peace and Development Foundation	Member, Board of Trustees	1999
SGV Foundation	Member, Board of Trustees	1999
Trilateral Commission	Member, Asia Pacific Group Representing ASEAN	2000
Renewable Energy Asia Fund (Berkeley Energy, UK)	Strategic Advisor	2008
Philippine Quality & Productivity Movement Inc.	Member, Board of Advisers	2012

I am not affiliated to any government/owned and controlled corporation.

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

4. I am not related to any director/officer/substantial shareholder of House of Investments as provided under Rule 38.2.3 of the Securities Regulation Code. (where applicable)

NAME OF DIRECTOR/OFFICER/SUBTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP
N.A.	N.A.	N.A.

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

OFFENSE CHARGED/INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS
N.A.	N.A.	N.A.

6. (For those in government service/affiliated with a government agency or GOCC) I have the required written permission or consent from House of Investments to be and independent director in House of Investments, pursuant to Office of the President Memorandum Circular' No. 17 and Section 12, Rule XVIII of the Revised Civil Services Rules.

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

8. I shall inform the Corporate Secretary of House of Investments of any changes in the abovementioned information within five days from its occurrence.

JUN 2 6 2020

Done, this 3rd day of June 2020, at Makati City

ROBERTO F. DE OCAMPO
Affiant

JUN 2 6 2020

SUBSCRIBED AND SWORN to before me this 3rd day of June 2020 at Makati City, affiant personally appeared before me and exhibited to me his passport with no. EC6721113 valid until 09 February 2021 issued at DFA NR Central on 10 February 2016.

Doc. No. 496 ;
Page No. 100 ;
Book No. 109 ;
Series of 2020:

JOSHUA P. LAPUZ
Notary Public for Makati City
Appointment No. M-66 / Until 12-31-2021
Roll No. 45790 / IBP Lifetime No. 04897 / 7-3-03
PTR O.R. No. 8116016 / 1-2-20 / Makati City
MCLE No. VI-0016565 / 1-14-19
G/F, Fedman Suites, 199 Salcedo St.
Legazpi Village, 1229 Makati City

ANNEX 4

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **FRANCISCO H. LICUANAN III**, Filipino, of legal age and a resident of No. 5 Bonifacio Place, Ayala Heights, Diliman, Quezon City, after having been duly sworn to in accordance with law, do hereby declare that:

1. I am a nominee for independent director of **HOUSE OF INVESTMENTS, INC.** and have been its independent director since 2006.

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

Company/Organization	Position/Relationship	Period of Service
Philippine Hoteliers Inc.	Director	1985 to Present
Eltrio Food Corporation	Director and Corp. Secretary	1995 to Present
JG Food Ventures	Stockholder	1996 to Present
Lucky Trin Food Ventures	Stockholder	1997 to Present
Innovative Property Solutions, Inc.	Chairman/President & CEO and Stockholder	October 2005 to Present
Lucky Fort Food Ventures Inc.	Stockholder	2006 to Present
GeoEstate Development Corp.	Chairman/CEO and Stockholder	October 2006 to Present
Coca-Cola Bottlers Phils./ Coca-Cola Export Corp.(Phils.)	Member, Advisory Board	April 2007 to Present
Battery Park Investments Inc.	Chairman/CEO and Stockholder	May 2007 to Present
New Pacific Resources Management (SVP-AMC), Inc.	Chairman/CEO and Stockholder	July 2007 to Present
Stonebridge Corporation	President	November 2013 to Present

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

4. I am related to the following director/officer/substantial shareholder of **HOUSE OF INVESTMENTS, INC.** and its subsidiaries and affiliates other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code:

Name of Director/ Officer/Substantial Shareholder	Company	Nature of Relationship
N/A		

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

6. I confirm that I am not engaged in government service or affiliated with any government agency or government owned and controlled corporation.

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

8. I shall inform the Corporate Secretary of **HOUSE OF INVESTMENTS, INC.** of any changes in the abovementioned information within five days from its occurrence.

Done this JUN 2 6 2020 day of May 2020, at Makati City, Metro Manila, Philippines.

FRANCISCO H. LICUANAN III
Affiant

SUBSCRIBED AND SWORN to before me this JUN 2 6 2020 day of May 2020 at Makati City, affiant personally appeared before me and exhibited to me his Philippine Passport No. __________, issued at __________, valid until __________.

Doc. No. 498;
Page No. 100;
Book No. 109;
Series of 2020.

JOSHUA P. LAPUZ
Notary Public for Makati City
Appointment No. M-66 / Until 12-31-2021
Roll No. 45790 / IBP Lifetime No. 04897 / 7-3-03
PTR O.R. No. 8116016 / 1-2-20 / Makati City
MCLE No. VI-0016565 / 1-14-19
G/F, Fedman Suites, 199 Salcedo St.
Legaspi Village, 1229 Makati City

ANNEX 5

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **JUAN B. SANTOS**, Filipino, of legal age and a resident of 2420 Bougainvilla, Dasmariñas Village, Makati City, after having been duly sworn to in accordance with law, do hereby declare that:

1. I am a nominee for independent director of **HOUSE OF INVESTMENTS, INC.** and have been its independent director since 2014.

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

Company/Organization	Position/ Relationship	Period of Service
Rizal Commercial Banking Corporation	Independent Director	2016 – Present
Philippine Investment Management, Inc. (PHINMA)	Director	August 2013 – Present
Philippine Investment Management Corp.	Director	Dec 2018 - Present
First Philippine Holdings, Inc. (FPHC)	Director	June 2009 – Present
Alaska Milk Corporation	Director	May 2007 – Present
Sun Life Grepa Financial, Inc. (Formerly Grepalife Financial, Inc.)	Independent Director	October 2006 – Present
Allamanda Management Corp.	Director	January 2000 – Present
Marsman Drysdale Group of Companies	Consultant	September 2007 – Present
East West Seeds Corp.	Advisory Board	2008 – Present
St. Lukes Medical Center	Trustee	2005 – Present
Mitsubishi Motors Phils. Corp.	Advisory Board	January 2016 – Present
DualTech Foundation	Trustee	May 2012 – Present

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

4. I am related to the following director/officer/substantial shareholder of **HOUSE OF INVESTMENTS, INC.** and its subsidiaries and affiliates other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code:

Name of Director/ Officer/Substantial Shareholder	Company	Nature of Relationship
N/A		

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

6. I confirm that I am not engaged in government service or affiliated with any government agency or government owned and controlled corporation.

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

8. I shall inform the Corporate Secretary of **HOUSE OF INVESTMENTS, INC.** of any changes in the abovementioned information within five days from its occurrence.

Done this JUN 2 6 2020 day of May 2020, at Makati City, Metro Manila, Philippines.

JUAN B. SANTOS
Affiant

SUBSCRIBED AND SWORN to before me this JUN 2 6 2020 day of May 2020 at Makati City, affiant personally appeared before me and exhibited to me his Philippine Passport No. ____________, issued at __________, and valid until ____________.

Doc. No. 407;
Page No. 160;
Book No. 109;
Series of 2020.

JOSHUA P. LAPUZ
Notary Public for Makati City
Appointment No. M-66 / Until 12-31-2021
Roll No. 45790 / IBP Lifetime No. 04897 / 7-3-03
PTR O.R. No. 8116016 / 1-2-20 / Makati City
MCLE No. VI-0016565 / 1-14-19
G/F, Fedman Suites, 199 Salcedo St.
Legazpi Village, 1229 Makati City

ANNEX 6

HOUSE OF INVESTMENTS

22 June 2020

THE SECURITIES AND EXCHANGE COMMISSION
PICC Complex, Roxas Boulevard
Pasay City

Attention: **MR. VICENTE GRACIANO P. FELIZMENIO, JR.**
Director, Markets and Securities Regulation Department

Re: **SEC Form 20-IS of House of Investments. Inc. (SEC Reg. No. 15393)**

Gentlemen:

In compliance with the requirements of the Securities Regulation Code relative to the filing of SEC Form 20-IS of the House of Investments, Inc. (the "Company"), we hereby certify that none of the Company's incumbent directors and executive officers who may be elected and appointed during the Annual Stockholders' and Organizational Meetings to be held on 17 August 2020 are government employees.

We trust that the foregoing sufficiently complies with this Honorable Commission's requirements.

Very truly yours,

SAMUEL V. TORRES
Corporate Secretary

HOUSE OF INVESTMENTS, INC.

PROXY

I, the undersigned holder of shares of stock of House of Investments, Inc. ("Corporation"), do hereby constitute, name and appoint the **Chairman of the Meeting**, or in his absence, **the Secretary of the Meeting**, as my attorney and proxy, to represent me and to vote all the shares registered under my name in the Books of the Corporation at the Annual Meeting of the Stockholders of the Corporation on **August 17, 2020** and any adjournment(s) thereof. In particular, I hereby direct my said proxy to vote on the matters set forth below as I have expressly indicated by marking the same with an "X". **If I fail to indicate my vote on the items specified below, I authorize my proxy full discretion to act and I understand that my proxy shall vote in accordance with the recommendation of the Management. Management recommends a "FOR ALL" vote for proposal 1 and a "FOR" for proposals 2 through 5.**

PROPOSAL	**ACTION**		
	FOR ALL	**WITHHOLD FOR ALL**	**EXCEPTION**
1. Election of Management's Nominees as Directors **Management Nominees:** 1. Helen Y. Dee 2. Lorenzo V. Tan 3. Yvonne S. Yuchengco 4. Medel T. Nera 5. Wilfrido E. Sanchez 6. Gil A. Buenventura 7. Lorenzo Andres T. Roxas **Independent Directors:** 1. Roberto F. De Ocampo 2. John Mark S. Frondoso 3. Francisco H. Licuanan III 4. Juan B. Santos *Except for Mr. Roxas, the above-mentioned nominees are all incumbent members of the Board of Directors.* **INSTRUCTIONS:** *To withhold authority to vote for any individual nominee(s) of Management, please mark Exception box and list name(s) under.*			
	FOR	**AGAINST**	**ABSTAIN**
2. Approval of the Minutes of the Annual Stockholders' Meeting held on July 19, 2019.			
3. Approval of the Management Report and Audited Financial Statements for 2019.			
4. Amendment of Article First of the Articles of Incorporation and the By-laws to reflect the change in the corporate name of the Company			
5. Amendment of Article Third of the Articles of Incorporation to reflect the change in the principal office address of the Company			
6. Ratification and confirmation of the acts, resolutions and proceedings of the Board of Directors, Executive Committee, Other Committees and the Officers of the Company during the year 2019, which includes, among others, those that involve the day to day operations, administrations and management of the corporate affairs.			
7. Appointment of SGV as External Auditors			

THIS PROXY, SOLICITED ON BEHALF OF THE INCUMBENT BOARD OF DIRECTORS OF HOUSE OF INVESTMENTS, INC. SHOULD BE RECEIVED BY THE CORPORATE SECRETARY ON OR BEFORE 10:00 A.M OF AUGUST 14, 2020, THE DEADLINE FOR SUBMISSION OF PROXIES.

REVOCABILITY OF PROXY

THE SHAREHOLDER MAY REVOKE THE PROXY ISSUED BY HIM AT ANY TIME PRIOR TO ITS USE BY THE PARTY WHO IS THEREBY AUTHORIZED TO EXERCISE THE SAME. THE PERSON SIGNING THE PROXY HAS THE RIGHT TO REVOKE THE PROXY BY ATTENDING THE MEETING IN PERSON OR EXECUTION OF A PROXY AT A LATER DATE.

PERSONS MAKING THE SOLICITATION

THIS PROXY IS SOLICITED ON BEHALF OF THE MANAGEMENT. THE PROXY STATEMENT AND THE ENCLOSED PROXY SHALL BE SENT BY THE SECRETARY OF THE CORPORATION EITHER BY MAIL, POSTAGE PREPAID, OR BY PERSONAL DELIVERY TO EACH STOCKHOLDER AT HIS ADDRESS APPEARING IN THE RECORDS OF THE CORPORATION. DULY EXECUTED PROXIES MAY BE RETURNED BY MAIL, FAX, OR BY HAND TO THE OFFICE OF THE CORPORATE SECRETARY ON OR BEFORE 10:00 A.M. ON AUGUST 14, 2020.

SOLICITATIONS OF PROXIES WILL BE MAINLY CONDUCTED THROUGH MAIL. IN ADDITION TO SOLICITATION OF THE PROXIES BY MAIL, OFFICERS AND EMPLOYEES OF THE COMPANY MAY ALSO SOLICIT PROXIES PERSONALLY OR BY TELEPHONE. THE COST OF SOLICITATION, APPROXIMATELY ₱ 250,000 WILL BE BORNE BY THE COMPANY.

THERE IS NO MATERIAL CONSIDERATION CONTRACT OR ARRANGEMENT FOR THE SOLICITATION. THE COMPANY IS NOT A PARTY TO ANY ARRANGEMENT OR UNDERSTANDING WITH ANY PERSON WITH RESPECT TO ANY MATTER TO BE ACTED UPON THE MEETING.

THIS PROXY SHALL BE VALID FOR FIVE (5) YEARS FROM THE DATE HEREOF UNLESS OTHERWISE INDICATED IN THE BOX HEREIN PROVIDED:

THIS PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED IN THE MANNER AS DIRECTED HEREIN BY THE STOCKHOLDER(S). IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED “FOR” THE ELECTION OF ALL NOMINEES AND FOR SUCH MATTERS AS MAY PROPERLY COME BEFORE THE MEETING, INCLUDING MATTERS WHICH THE SOLICITOR(S) DO NOT KNOW A REASONABLE TIME BEFORE THE SOLICITATION ARE TO BE PRESENTED AT THE MEETING, IN THE MANNER DESCRIBED IN THE INFORMATION STATEMENT AND/OR AS RECOMMENDED BY MANAGEMENT OR THE BOARD OF DIRECTORS.

INTEREST OF CERTAIN PERSONS IN OR OPPOSITION TO MATTERS TO BE ACTED UPON:

1. No current director or officer of the Company, or nominee for election as directors of the Company or any associate thereof, has any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon other than the election to office.
2. No director has informed the Company in writing that he intends to oppose any action to be taken by the registrant at the meeting.

THIS PROXY SHALL CONFER DISCRETIONARY AUTHORITY TO VOTE WITH RESPECT TO ANY OF THE FOLLOWING MATTERS:

1. MATTERS WHICH THE COMPANY DOES NOT KNOW DURING A REASONABLE TIME BEFORE THIS SOLICITATION ARE TO BE PRESENTED AT THE MEETING.
2. MATTERS INCIDENT TO THE CONDUCT OF THE MEETING.

______________________	______________________	______________________	______________
Printed Name	Signature of Stockholder	No. of Shares	Date

____

Address and Telephone Number

THIS PROXY IS BEING SOLICITED ON BEHALF OF THE MANAGEMENT OF HOUSE OF INVESTMENTS, INC.

Please mail this proxy form to :

ATTY. SAMUEL V. TORRES
CORPORATE SECRETARY
House of Investments, Inc.
9/F Grepalife Bldg.
221 Sen. Gil Puyat Avenue OR FAX TO : 8816-11-27 / 8815-99-81
Makati City Metro Manila
E-mail: hi_asm2020@hoi.com.ph

ANNEX "A"

A. Procedure to Register to be able to Attend and Participate in the Meeting

Stockholders are requested to notify the Company, by email to the following email address: hi_asm2020@hoi.com.ph, by August 3, 2020, of their intention to participate in the Annual Stockholders' Meeting by remote communications.

For validation purposes, Stockholders shall also provide the Company with the following information: (a) Name; (b) Address; and (c) Contact Number. The Company may require documents to ascertain and verify the identity of the requesting person.

B. Procedures for Electronic Voting *in Absentia*

I. Coverage

Stockholders of House of Investments, Inc. who chose to electronically vote *in absentia*, upon registration and validation.

II. Registration

a. Who may Register – Stockholders of Record as of July 17, 2020

b. When to Register – Registration period shall be from July 27, 2020 at 8:00 AM to August 3, 2020 at 5:00 PM, Philippine Standard Time ("Registration Period"). Beyond this date, Stockholders may no longer avail of the option to electronically vote *in absentia*.

c. How to Register – The Stockholders will be requested to send a notification to hi_asm2020@hoi.com.ph together with a scanned or digital copy of the documents listed below, to the following email address: hi_asm2020@hoi.com.ph, within the Registration Period, for validation.

Individual Stockholders:

1. A recent photo of the Stockholder, with face fully visible,
2. Front and back portions of the Stockholder's valid government-issued, identification card, preferably with residence address, and
3. Contact number

Stockholders with Joint Account:

1. Authorization letter signed by all Stockholders, identifying who among them is authorized to cast the vote for the account,
2. A recent of the authorized Stockholder, with face fully visible,
3. Front and back portions of the Authorized Stockholder's valid government-issued identification card, preferably with residence address, and
4. Contact number of the Authorized Stockholder

Broker Accounts:

1. The broker's certification on the Stockholder's number of shareholdings duly signed by the named Nominee or Associated Person of the said broker,
2. A recent photo of the Stockholder, with face fully visible,
3. Front and back portions of the Stockholder's valid government-issued identification card, preferably with residence address, and
4. Contact number

Corporate Stockholders

1. Signed Corporate Secretary's certificate attesting to the authority of the representative to vote for and on behalf of the Corporation,
2. A recent photo of the Stockholder's representative, with face fully visible,
3. Front and back portions of the valid government-issued identification card Stockholder's representative, preferably with residence address, and
4. Contact number of the Stockholder's representative

Stockholders with incomplete requirements will not be given the link to attend the meeting through remote communication or vote *in absentia*, but may still vote by sending a proxy to the Annual Stockholders' Meeting.

d. Validation of Registration

The validation of Stockholders' registration shall be completed by the Company within three (3) business days from receipt thereof.

The Company will send an email confirming the successful validation of the Stockholders' registration.

Please note that submission of incomplete or inconsistent information may result in an unsuccessful registration and attendance in the meeting through remote communication means will not be allowed.

Note: In light of the recent events and government pronouncements and guidelines surrounding the COVID-19 pandemic, the Company shall allow electronic signatures for the required documents, as may be applicable. Notarization requirements shall also be dispensed with at this time. However, the Company reserves the right to request additional information, and original signed and notarized copies of these documents, as it deems necessary.

III. Voting

Please use the form attached as Annex "B" to record your vote and then email to: hi_asm2020@hoi.com.ph, on or before August 3, 2020

Notes and Conduct of Voting:

A. Voting

a. The Stockholder appointing a Proxy:
Stockholders may give the Proxy the authority to vote in all matters for approval.

b. The Stockholder Voting by Remote Communication or *in Absentia*
The Stockholders will be asked to fill in the attached Annex "B"
   1. For items other than the Election of Directors, the registered Stockholder has the option to vote: FOR, AGAINST, or ABSTAIN. The vote is considered cast for all the registered Stockholders' shares.
   2. For Election of Directors, the registered Stockholder may vote for all nominees, not vote for any of the nominees, or vote for some nominees only, in such number of shares as preferred by the Stockholder, provided the total number of votes cast shall not exceed the number of shares owned, multiplied by the number of directors to be elected.

The votes cast *in absentia* will have equal effect as votes cast by proxy.

B. Tabulation & Validation of Voting *in Absentia* or by Proxy

All votes cast through proxy forms or *in absentia* will be tabulated by the Company, and the RCBC Stock Transfer Office will validate the results.

Validation and final tally of votes through Proxy or *in Absentia* shall be released on or before the meeting date.

C. Determination of Quorum

Only those Stockholders who have notified the Company of their intention to participate in the Annual Stockholders' Meeting by remote communication, and who have successfully registered during the Registration Period, together with the Stockholders who voted by Proxy or *in Absentia* will be included in the determination of quorum.

D. Access to the Live Meeting

The Company will send to the registered Stockholders the link of the live webcast of the Annual Stockholders' Meeting through the email confirming their successful registration no later than two (2) business days prior to the Meeting.

E. Stockholders' Questions/Comments During the Meeting

Stockholders may send their questions and/or comments during the meeting to hi_asm2020@hoi.com.ph. The Corporate Secretary shall raise these questions on behalf of the Stockholder.

F. Recording of the Annual Meeting

The Company shall post the link to the recorded webcast of the Annual Stockholders' Meeting on the Company's website within two (2) weeks after the conduct of the meeting.

Annex "B"

ELECTRONIC VOTING IN ABSENTIA

PROPOSAL	**ACTION**		
	FOR ALL	**WITHHOLD FOR ALL**	**EXCEPTION**
ELECTION OF DIRECTORS **Management Nominees:** 1. HELEN Y. DEE 2. LORENZO V. TAN 3. YVONNE S. YUCHENGCO 4. MEDEL T. NERA 5. WILFRIDO E. SANCHEZ 6. GIL A. BUENVENTURA 7. LORENZO ANDRES T. ROXAS **Independent Directors:** 8. ROBERTO F. DE OCAMPO 9. FRANCISCO H. LICUANAN III 10. JUAN B. SANTOS 11. JOHN MARK S. FRONDOSO *Except for Mr. Roxas, the above-mentioned nominees are all incumbent members of the Board of Directors.* **INSTRUCTIONS:** *To withhold authority to vote for any individual nominee(s) of Management, please mark Exception box and list name(s) under.*			
	FOR	**AGAINST**	**ABSTAIN**
APPROVAL OF THE MINUTES OF THE ANNUAL STOCKHOLDERS' MEETING HELD ON JULY 19, 2019.			
APPROVAL OF THE MANAGEMENT REPORT AND AUDITED FINANCIAL STATEMENTS FOR 2019.			
AMENDMENT OF ARTICLE FIRST OF THE ARTICLES OF INCORPORATION AND THE BY-LAWS TO REFLECT THE CHANGE IN THE CORPORATE NAME OF THE COMPANY.			
AMENDMENT OF ARTICLE THIRD OF THE ARTICLES OF INCORPORATION TO REFLECT THE CHANGE IN THE PRINCIPAL OFFICE ADDRESS OF THE COMPANY.			
RATIFICATION AND CONFIRMATION OF THE ACTS, RESOLUTIONS AND PROCEEDINGS OF THE BOARD OF DIRECTORS, EXECUTIVE COMMITTEE, OTHER COMMITTEES, AND THE OFFICERS OF THE COMPANY DURING THE YEAR 2019.			
APPOINTMENT OF SGV AS EXTERNAL AUDITORS.			

DATE: ____

STOCKHOLDER'S NAME: ____

STOCKHOLDER'S SIGNATURE: ____

NOTE: Please submit this form on or before August 3, 2020 and accompanied by any government issued identification.

HOUSE OF INVESTMENTS

ANNEX "C"

MANAGEMENT REPORT

Financial and Other Information

Audited Financial Statements
The Statement of Management's Responsibility and Consolidated Audited Financial Statements of the Group as at December 31, 2019 are attached hereto as **Annex "D".**

Changes in and Disagreements with Accountants in Accounting and Financial Disclosure
None

Management Discussion and Analysis of Financial Condition and Plan of Operations

Item 1: Description of Business

House of Investments, Inc. ("the Company") was incorporated in 1959 as an investment bank, the first of such bank to be organized in the Philippines. Through the years, the Company evolved into an investment holding and management company with a diversified portfolio and became one of the four major flagship corporations of the Yuchengco Group of Companies ("YGC").

The Company's core business focus is organized into four segments, namely: car dealership, construction, education and property management services. Its portfolio investments are in pharmaceuticals, energy, and deathcare.

CORE BUSINESS UNITS:

A. <u>CAR DEALERSHIP:</u>
House of Investments operates three car-retailing brands: Honda, Isuzu and Geely.

House of Investments owns and operates Honda dealerships in the following Metro Manila locations: Quezon Ave., Manila, Marikina, Fairview, and Marcos Highway and one service center in Tandang Sora. HI also owns a majority stake in Honda Cars Kalookan, Inc. that owns and operates dealerships in Kalookan and Greenhills.

The Company's Isuzu dealerships are in four locations: Manila, Commonwealth, Greenhills, and Leyte.

In 2019, House of Investments invested in a minority stake in Sojitz G Auto Philippines Corporation which owns and operates the Geely distributorship and the flagship dealership in North Edsa. HI also owns and operates a Geely dealership in Manila.

B. <u>CONSTRUCTION</u>
House of Investments owns a majority stake in one of the largest Philippine construction and general contracting firms, EEI Corporation. EEI has international operations spanning from the Kingdom of Saudi Arabia to Africa and Asia. It is also a market leader in the domestic construction and contracting sector.

C. <u>EDUCATION</u>
House of Investments owns a significant stake in iPeople, inc. ("iPeople"), the vehicle for investments in education. iPeople wholly owns the Malayan Education System, Inc. (Operating under the name of Mapúa University) ("MES"). Mapúa University is widely considered to be the leading and largest private engineering and I.T. school in the country. Mapua University also owns and operates three other schools: Malayan Colleges Laguna (A Mapua School) Inc, Malayan Colleges Mindanao, A Mapua School and Malayan High School of Science.

The merger of Ayala Education Inc. (AEI) into iPeople which took effect in May 2019 brought in three more schools into the iPeople network, bringing the total number of operating schools to seven (7) The three new schools from the merger are as follows: The APEC Schools, University of Nueva Caceres (UNC) and National Teachers College (NTC).

D. <u>PROPERTY MANAGEMENT SERVICES</u>
House of Investments wholly owns Landev Corporation. Landev is primarily engaged in property, facilities, and project management for the YGC. It also provides comprehensive security services to

leading institutions through its subsidiary Greyhounds Security and Investigation Agency Corporation ("GSIA").

House of Investments also owns a minority stake in RCBC Realty Corporation ("RRC"), which owns the RCBC Plaza. The operations of RCBC Plaza are managed by House of Investments.

The operations of each core business, along with a discussion of risks and 2019 performance, will be discussed in the appropriate section.

PORTFOLIO INVESTMENTS:

A. ENERGY

House of Investments has investments in the energy sector through its stake in PetroEnergy Resources Corporation ("PERC") and EEI Power Corporation, a wholly-owned subsidiary of EEI.

PetroEnergy Resources Corporation (PERC) is a publicly listed Philippine energy company founded in 1994 to undertake upstream oil exploration and development. Since then, it has diversified into renewable energy and power generation. PetroEnergy, through its renewable energy arm, PetroGreen Energy Corporation (PGEC), has investments in the following joint venture companies : PetroSolar Corporation, PetroWind Energy Inc., and Maibarara Geothermal Incoporated.

EEI Power Corporation operates a 15-megawatt Heavy Fuel Oil (HFO) power plant in the City of Tagum, Davao del Norte. It also has investments in renewable energy through its participation in Petro Wind Energy, Inc. and PetroSolar Corporation, both of which are subsidiaries of PERC.

B. PHARMACEUTICALS

House of Investments owns 50% of HI-Eisai Pharmaceuticals, Inc. ("HEPI"), which is a joint venture with the Eisai Co. of Japan. HEPI imports pharmaceuticals from Japan, which it sells in the Philippine market through established drug distributors.

C. DEATHCARE

House of Investments owns a material stake in Manila Memorial Park Cemetery, Inc. ("MMPCI"). MMPCI is the recognized market leader in afterlife services. It sells memorial lots and owns, operates, and maintains memorial parks.

House of Investments, together with MMPCI jointly owns La Funeraria Paz-Sucat, Inc. ("LFPSI"). LFPSI provides mortuary services to the bereaved and their loved ones.

1.1 Business of the Issuer

THE HOLDING COMPANY

The executive management takes an active role in the management of the core businesses. In addition, the executive management monitors the business performance of the portfolio companies very closely. Through management meetings and regular review of actual results compared to budgets and previous year performance, House of Investments is able to direct corporate strategy and operations.

In particular, management watches operating metrics very closely and how these impact the financial metrics. By monitoring operating and financial metrics, executive management can always determine whether the capital deployed to various businesses within the portfolio is being used efficiently, and generating returns that meet hurdle rates.

Executive management also engages in a continuous business development program. These business development activities range from identifying growth opportunities in existing businesses; helping develop new products and services that increase organic growth; or buying entire companies or controlling stakes in companies which show high growth potential.

Risks at the Holding Company Level
The following covers the risk management policies at the holding company level. *For a discussion of risks faced by each core business unit, please refer to the appropriate section in this report.*

a. Interest Rate Risk
The Company is exposed to interest rate risk because it has borrowings from local banks. It is a company policy to use excess liquidity to pay down borrowings in order to decrease financing costs, and reduce exposure to rising interest rates. It is also a company policy to actively discuss with lending banks on how to lower financing costs. HI does not speculate on the direction of interest rates. The main objective is to lower financing costs as much as possible.

b. Liquidity Risk
The Company seeks to manage its liquidity to be able to service maturing debts, finance capital requirements, and pay for existing operations. House of Invesments maintains a consistent level of funding to be able to pay for its day-to-day operations. The Company constantly monitors its projected cash flows. Close attention is paid to asset liability management.

c. Credit Risk
The Company's exposure to credit risk is very minimal because its receivables are mostly from related parties, which are being managed through close account monitoring and limit setting. However, the Company's cash and short-term securities exposes the company to the credit risk of the counterparty.

d. Price Risk
Available for sale (AFS) financial instruments ~~are held and~~ are subject to price risk due to changes in market values because of specific factors related to these securities, or because of factors related to the overall market for financial assets. These prices change depending on how market participants act in the market.

The Company has minimal non-core holdings in its AFS investments. For its non-core holdings, the Company's investment policy is to monitor developments in the market and these securities very closely. The Company regularly assesses the opportunity cost of holding these securities.

e. Business Continuity Risk
The Company is acutely conscious of the risks posed by natural disasters, acts of God, or other man-made actions that can have an adverse impact on the continuity of regular operations. The Company's Board through the Board Risk Oversight Committee and the management team ensures that the business continuity plans of each operating subsidiary are in place and is up to date. Further, the management works with the Yuchengco Group of Companies Business Continuity Management - Disaster Recovery Management (YGC BCM-DRM) Council to ensure that necessary precautionary measures are taken to mitigate risks that may cause disruptions to the operations of our various subsidiaries.

f. Pandemic Risk
Pandemics are large-scale outbreaks of infectious disease that can greatly increase morbidity and mortality over a wide geographic area and cause significant economic, social, and political disruption. The spread of the COVID-19 which originated from Wuhan, China could in 2019 have significant implications for businesses here in the Philippines and around the globe.

The businesses that the Company is invested in may be impacted by the government mandated Community Quarantines which resulted in lockdown of business operations and/or increased operating costs thereby affecting the profitability of our various operations. Pandemic risk mitigation is managed by our Business Continuity Management – Disaster Risk Management ("BCM-DRM") Council.

g. Competition
The company is subject to competition in the segments in which each of its core business units operates. *Please refer to the related section of each core business unit on the risks each group faces.*

h. Succession Risk
The Company knows that people are an important resource and that its executive management team is a significant contributor to the continuing growth of House of Investments' investment portfolio. In order to preserve the management chain of succession and institutional knowledge that comes with it, the executive management works with the executives of the operating subsidiaries to ensure continuous training and career development are in place.

i. Reputation Risk
As a holding company, events occurring at its subsidiaries may ultimately impact the HI brand. Through monthly Mancom and quarterly board committee meetings, HI continues to effectively oversee the affairs of its subsidiaries.

HI has a Board Risk Oversight Committee ("BROC"), an extension of the full Board of Directors, which meets every quarter to discuss key risks and opportunities of the company. One of the BROCs main role is to review management's effectiveness in managing risks. The BROC also provides direction and guidance on how the company will not only respond to risks, but also take advantage of opportunities. To support the BROC, the Risk Management Council ("RMC") which is composed of the HI top management, is also tasked to help execute the direction set by the BROC regarding strategic risks and opportunities. The Chief Risk Officer, with guidance from the RMC and BROC, oversees the implementation of HI Enterprise Risk Management Plan.

CAR DIVISIONS

House of Investments operates three car-retailing brands: Honda, Isuzu, and Geely. Honda's and Geely's vehicle line-up include passenger cars and commercial vehicle categories, while Isuzu's is purely commercial vehicles.

New vehicle unit sales are cyclical. Changes in unit sales are driven by factors like new models, manufacturer incentives, interest rates, fuel prices, unemployment, inflation, the level of personal discretionary spending, credit availability, consumer confidence and others.

Our dealerships also generate revenue through repair services, the sale of replacement and aftermarket parts, and the sale of third-party finance and insurance products. We believe our various income streams help to lower the impact of the cyclicality found in the automotive sector. Revenues from service and parts sales are typically less cyclical than retail vehicle sales.

Risk Factors at the Car Divisions

a. Macro-economic conditions
The Car Divisions' performance is impacted by general economic conditions overall, and in particular, by economic conditions in the markets in which we operate. These economic conditions include: availability of consumer credit; changes in consumer demand; consumer confidence levels; fuel prices; personal discretionary spending levels; interest rates; and unemployment rates.

b. Operational Risks
- Franchise Agreements with Honda, Isuzu, and Geely. Our dealerships operate under a franchise agreement with Honda Cars Philippines Inc.with Isuzu Philippines Corp. and Sojitz G Auto Philippines Corp., which authorizes our dealerships to sell new vehicles of the brands we carry or perform manufacturer authorized warranty service. These agreements govern almost every aspect of the operation of our dealerships, and give

manufacturers the discretion to terminate or not renew our franchise agreements for a variety of reasons

- Information Technology and Cyber Security. Our information systems are fully integrated into our operations. If these systems go down, our business could be significantly disrupted. In addition, to the extent our systems are subject to intentional attacks or unintentional events that allow unauthorized access that disrupts our systems, our business could be significantly disrupted.

- Property loss, business interruption or other liabilities. Our operations can be hampered by property losses due to fire, adverse weather conditions, and militant activities e.g. rallies and strikes, among others. In addition, our business is subject to substantial risk of loss resulting from: the significant concentration of property values, including vehicle and parts inventories, at our operating locations; claims by employees, customers, and third parties for personal injury or property damage; and fines and penalties in connection with alleged violations of regulatory requirements.

c. Market Risk

- Overall success of the automotive industry and in particular on the success of the Honda, Isuzu, and Geely brands. Significant adverse events that may result in product recalls, product launch delays or general delays caused by import supply chain logistic issues may interrupt vehicle or parts supply to our dealerships. Such matters would likely have a significant and/or adverse impact in our car business if the events relate to any of the manufacturers whose franchises generate a significant percentage of our revenue.

- Competition. We compete with other automotive brands as well as other franchised automotive dealerships; private market buyers and sellers of imported and/or used vehicles; local service and repair shops and parts retailers; and automotive manufacturers (those that own their own dealerships).

  In addition to competing on car models, buying decisions by consumers when shopping for a vehicle are extremely price sensitive. The level of competition in the market can lead to lower selling prices and lower profits

d. Availability of financing and interest rate sensitivity

- To the Company. The operations rely heavily on loans to fund its working capital and cash flow. The car divisions access credit through the lines available to House of Investments, Inc. while Honda Cars Kalookan, Inc. has its own lines with Banks.

  A sustained or significant decrease in our operating cash flows could lead to an inability to meet our debt service requirements.

  The interest rates we are charged on a substantial portion of our debt are variable, increasing or decreasing based on changes in certain published interest rates. Increases to such interest rates would likely result in significantly higher interest expense for us, which would negatively affect our operating results.

- To our clients. A significant portion of vehicle sales in the Philippines is funded through bank financing. Access to credit for vehicle buyers and increased interest rates may also decrease vehicle sales, which would negatively affect our operating results.

e. Regulatory issues

We are subject to a wide variety of regulatory activities, including: government regulations, claims and legal proceedings. Government regulations affect almost every aspect of our business, including taxation, and the treatment of our employees.

Data Privacy Act. The Data Privacy Law requires that personal and sensitive information of the car dealerships' stakeholders held by the company be taken care of with utmost privacy. A breach of this requirement would mean stiff penalty and also possibly result to costly lawsuits that may tarnish our reputation. A committee has already been formed to spearhead the awareness for this requirement and implementation of necessary policies that protect personal data.

In the event of regulation restricting our ability to generate revenue from arranging financing for our customers, we could be adversely affected. We could also be susceptible to claims or related actions if we fail to operate our business in accordance with applicable laws. Claims arising out of actual or alleged violations of law which may be asserted against our dealers by individuals, through class actions, or by governmental entities in civil or criminal investigations and proceedings, may expose us to substantial monetary damages which may adversely affect us.

f. Environmental regulations
We are subject to a wide range of environmental laws and regulations, including those governing: discharges into the air and water; the operation and removal of storage tanks; and the use, storage; and disposal of hazardous substances.

In the normal course of our operations we use, generate and dispose of materials covered by these laws and regulations. We face potentially significant costs relating to claims, penalties and remediation efforts in the event of non-compliance with existing and future laws and regulations.

THE CONSTRUCTION SECTOR

EEI CORPORATION AND SUBSIDIARIES

EEI Corporation (EEI or the Company) was founded in 1931 as machinery and mills supply house for the mining industry. Over the past 88 years, aside from broadening the range of industrial machinery and systems it distributes, the Company also expanded into construction services, and in the supply of manpower in the Philippines and overseas. Today, EEI is one of the country's leading construction companies, with a reputable track record in general contracting and specialty works.

Driven by a commitment to Philippine development and to have greater presence in the economy, EEI continues to expand its core business to a wide array of construction competencies. The Company has also been engaged in doing construction projects overseas for more than forty years.

It has been involved in the installation, construction, and erection of power generating facilities; oil refineries; chemical production plants; cement plants; food and beverage manufacturing facilities; semiconductor assembly plants; roads, bridges, railroads, ports, airports, elevated expressways, metro rail transit system and other infrastructure; high rise residential and office towers, and hotel buildings. The Company also operates one of the country's modern steel fabrication plants.

Through its long years of working and collaborating with global contractors, EEI has achieved world class caliber project management and execution expertise with the use of better technologies in all disciplines of the construction industry.

EEI has been recognized by contractors worldwide for the quality of its work and for its safety records, and is certified as compliant with ISO 9001:2008, ISO 14001:2004 (Environmental Management System), and OHSAS 18001:2007 (Occupational Safety and Health Management System) standards. The Company stays abreast with the latest developments in technology, materials engineering, and construction methodologies while including its own innovation in the application of its work, making it a preferred provider of construction services to global Engineering, Procurement, and Construction companies.

EEI also owns five major subsidiaries:

- **Equipment Engineers, Inc.** engages in the supply and marketing of a broad range of industrial plant facilities, process equipment, systems, and parts to the industrial, commercial, and property development companies; and, engages also in supply management services.
- **EEI Power Corporation** is a power producer and engages as well in building, rehabilitating, and operating power generating plants.
- **EEI Construction and Marine, Inc.** engages in structural fabrication works and light steel construction works such as storage tanks, pressure vessels, ducts and pipes.
- **GAIC Group** provides manpower services to both local and foreign markets.

- **EEI Realty Corporation** is engaged in the development of land, housing, and other properties.
- **JPSAI** is a provider of formworks and scaffolding.

Risk Factors at the Construction Sector

The risk management function is an important aspect of corporate governance. EEI has a Risk Management Program which has been in place since 2009. A Risk Management Council composed of the President and CEO, the Chief Risk Officer and key department heads meet regularly to discuss the new and emerging risks brought about by the peculiarities of new projects, changes in the market place, economic shifts, political upheavals, disasters, unusual events and probable impending events which had been identified in the various areas of company's business activities. The Risk Management Council is responsible for providing timely, relevant and comprehensive risk information to the Board through the Board Risk Oversight Committee, which is composed, of five directors.

The company is expecting the following major risks and opportunities (in no particular order) to factor into its business and is doing the corresponding actions to properly address them:

a. Pandemic risks

   With pandemic outbreak of COVID 19, EEI has been exposed and has responded with mitigating measures to the following risks:

   - Risk to the lives and well-being of its employees. EEI came up with, and continues to update it as necessary, COVID protocols to define how its employees are protected against infection even while working. It has aligned with DOH directives in providing ample detection, disinfection, medical support, and other mitigating solutions. Applicable social distancing protocols have also been incorporated in its way of work.

     EEI instructed all its department heads to set-up skeletal work forces and work-from-home mode of operations to minimize the exposure to the virus. EEI continues to study and implement aspects which are applicable from the guidelines set by ECDC for COVID 19 risk awareness, risk assessment, and mitigation.

   - Risk of disruptive operations. EEI has setup skeletal work force and work-from-home mode of operations to ensure that its business will continue; its construction contracts are being reviewed (e.g. force majure provisions) for the possibility of risk transfer or risk sharing of the impact of the COVID risk with other stakeholders.

   - Disruptions on meetings and communications risk. EEI has maximized telecommuting in its work and have already put in place an online meeting environment that is available to all personnel or group of personnel who would need it.

b. Geopolitical risk and opportunities

   - Philippine Infrastructure Boom. The government continues to change the political and economic situation in the country.
     - The "Build, build, build" initiative of the government initiative of the government is expected to provide a sizable opportunity for players in the construction industry but the funding for such and fairness of the government in awarding contracts are important factors.
     - The government has signed 29 bilateral agreements during the Chinese President's visit in November 2018 highlighting the growing relationship between the two countries. These agreements follow the signing of 13 cooperation agreements and securing financial assistance and investment pledges worth USD 24 billion during President Duterte's visit to China in October 2016. There are concerns about onerous contracts from other countries which were granted ODA by China.
     - Japan remains the top ODA provider with almost USD 6 billion or 40% of the total ODA received by the Philippines.
     - Philippine Offshore Gaming Organization ("POGO") business permits has increased real estate business due to the influx of Chinese workers. Potential change in China policy, however, may impact the continued growth in real estate activities.

To mitigate risks , EEI has made alliances with foreign EPCs mainly Japanese in our pursuit for more infrastructure projects. EEI is also establishing working relationships with known local developers that will most likely be awarded government projects. In addition, due diligence on Chinese investors is being done prior to entering into any partnership. Contracts related to such partnerships are being thoroughly reviewed to ensure fairness.

- Global Economic Slowdown and Global Trade War. The global growth forecast for 2020 had already been revised downward due to the combined impact of the COVID-19 Pandemic and the slowdown in global trade due to higher tariffs. Financial conditions have already tightened. A range of triggers beyond escalating trade tensions could spark a further deterioration in risk sentiment with adverse growth implications. To mitigate this risk, EEI monitors steel prices for opportunistic medium-term supply contract. EEI also initiates capital increase before liquidity squeeze.

- Boom and Bust Cycle of the Construction Business. The current main source of revenue of the company is in the construction business in the Philippines (mainly in infrastructure) and in Saudi Arabia (mainly electro mechanical projects in the oil and gas industry). The company's financial performance can easily be affected by the changes in the business climate in these countries. To mitigate this risk, EEI is looking to diversify, not only in non-construction business but also geographically, which will generate recurring revenue stream for the company.

- Regulatory risk. Infrastructure project contracts are normally long term in nature and spans several government administration. Any change in government laws and administration creates regulatory risks which will disrupt project execution and subject the company to possible termination of contract. Potential capital flight is also expected arising from inconsistent government policies. To mitigate this risk, EEI's contracts includes provisions for material adverse government action and cost of money for uncontrolled dues. Likewise, EEI prioritizes ODA financed projects to assure funding to project completion.

c. Saudi country risk

A relatively sizable operation of the Company is situated in the Kingdom of Saudi Arabia and the uncertainties in that area is of some concern. The prevailing low oil prices, the political instability and regional security threats (Lebanon, Iraq, Iran, Syria and Yemen) continues to be a factor that affects the operations there. During the year, the drone attack on Saudi Aramco's two oil facilities and the US assassination of Iran's Al Quds commander in early January 2020 embroiled Saudi Arabia in further heightened uncertainty. The threat of war between the US and Iran will turn away potential investment in the region and trigger increase in oil prices.

On the other hand, emerging opportunities exist with the new Crown Prince's Vision 2030 initiatives, Saudi Aramco's successful IPO and alliance with Russia and China, which will not only stabilize the oil price but also create new economic activities. The drone attack on Aramco's oil facilities has opened golden opportunities for our Saudi operations resulting in favorable contracts from Aramco. To mitigate this risk, EEI continues to focus on sustainable operations and maintenance and manpower supply contracts where margins are higher and risks are limited, concentrate on Aramco projects with preferential favorable contract terms, and put in place business continuity and disaster recovery plans in case the US-Iran crises spreads into Saudi Arabia.

d. Business concentration risk

As much as EEI values its current roster of regular clients, it is always better to create a wider client base. Doing this will not only expand the opportunities open to the company but also make the company more resilient to any fluctuations in the business of our clients.

EEI was able to establish new clients but at the same time recognize that expanding the client base has its limits. It is the reality of the Philippine business environment that investors are not that many. So EEI will expand its client base as much as possible but will give equal emphasis on the "quality" of the clients that EEI caters to – clients that have a track record of being fair and with sound financial standing are preferred. EEI also identified ways to expand its contracting capacity to be able to increase its government contracts portfolio when there are favorable opportunities to do so and also possibly serve as a balancing force to EEI's non-government contracts portfolio. EEI is setting-up the single customer contract size limits. It is typical in the industry, here and abroad, that executing a construction project involves a certain amount of credit between us (the contractor) and the client. Though the client's down-payment is meant to provide working capital for the contractor, usually this is insufficient considering the fast-paced work, change orders, and timing difference between billing and collection. Thus, most of the time, a certain amount of work is being "financed" by the contractor and the probability of successfully collecting such is the risk. As we have undergone a significant increase in the number and size of projects that we are doing, the level of credit risk has also proportionately risen and should be given ample attention.

EEI closely monitors project cash flow and observe prompt billing. Other mitigating actions include ensuring that change orders are only executed with proper approval documents from the client to ensure collectability of the work, intitutionalized due diligence of new clients during tender stage as part of KYC and created a team dedicated for this purpose, and negotiate for higher down-payment from the client.

e. Funding risk
With the infrastructure boom, EEI is expected to double or triple its existing backlog in the next three years. Fresh capital infusion may have to be injected for it to expand banking facilities and satisfy project funding requirements.

EEI enhanced its net contracting capacity through efficient collection of receivables and claim recoveries. EEI is also looking at entering into joint ventures with foreign RPCs who will contribute ODA funding assistance. Another option is to intiate capital infusion through stock rights issue and reinstatement of the employee stock option plan.

f. Interest rate risk
The Company relies heavily on bank borrowings to fund working capital between billing and collection. It is a company polcy to actively explore cheap funding options with banks. To mitigate the risk, EEI exerts efforts to expand its facilities from banks to an optimum level, which have been successful and efforts to reduce debt levels are continuing.

g. Competition risk
Influx of new foreign contractors (mainly from China) is expected with the loosening of the local laws for foreign contractor entry into the local construction market. Our local competitors' tie up with specialty foreign contractors has also contributed to the intense competition in the market. EEI continues to focus on its core business where it has competitive advantage and has cemented its business relationship with its main customer base. On the other hand, negative market sentiments on Chinese products/service might mitigate this risk. EEI is also continuing with its initiative to enter into foreign markets with the help of its current and future foreign partners.

h. Succession planning
The retirement of our senior executive officers at the Construction Division including a few officers who either retired or left our subsidiary companies factors into our succession planning. Ensuring that proper control of operations and strategic direction remains intact and effective during the transition will be important. To mitigate this risk, vacant positions were promptly filled up with capable people. EEI continues to run extensive management development training programs to prepare the successors of the retiring managers.

i. Reputational Risk
Reputation Institute defines the reputation of an organization as the level of trust, admiration, good feeling, and overall esteem a stakeholder has for the company. This reputation is driven by the perception of our company on seven specific dimensions, where a loss of trust in any dimension will cause a reduction in reputation. Reputation Institute therefore describes a reputation risk as "A negative event that will reduce the perception of you delivering on expectations."

The company constantly monitor how stakeholders such as customers, regulators, key opinion leaders, employees and financial analysts perceive the company on the key dimensions of reputation. By understanding this perception, our company can identify the potential risks before they happen and mitigate them before they turn into full blown reputation crises.

j. Manpower sourcing
The construction boom in the Philippines has put considerable strain in the supply of human labor as various construction companies vie for their services. Although EEI's pool of workers is sufficient for the present amount of work, the anticipated award of new projects will require additional workers.

The capacity of EEI's recruitment group to acquire talents from various parts of the country has been supplemented by increasing their manpower complement. Efforts are now being done to make the deployment of our workers to various projects more efficient – that is, spot over-supply in certain areas and redistribute them to projects where they can be better utilized. In addition, training programs for zero-skilled applicants are being intensified to properly equip new recruits to work in our projects.

The use of technology and machines in lieu of human labor is also being explored.

k. Effects of Tax Reform
On-going discussions in the halls of government to further improve the tax landscape in the country has mixed benefits for our clients and potential clients. EEI has included escalation clauses in the contract provisions with clients. In addition, medium- term supply contracts have been arranged with major suppliers except for steel products where prices are expected to decline due to supply glut that may arise from the trade war between US and China.

l. Disruptive technology
The fourth Industrial Revolution is shaped by advanced technologies from the physical, digital and biological worlds that combine to create innovations at a speed and scale unparalleled in human history. Collectively, these transformations are changing how individuals, governments and companies relate to each other and the world at large. Players failing to adopt or even adapt to such changes may prove disastrous as they risk obsolescence.

During the year, EEI's Business Transformation Group has adopted Virtual Design and Construction (VDC) innovative technology in collaboration with a US based consultant. VDC leverages on the benefits of:

(i) Building Information Model (BIM) Level 2 which provides visualization of the digital model and physical construction progress, and
(ii) Common Data Environment (CDE) which enables coordination of project stakeholders under a single source of truth.
(iii) Extensive use of advance drones in surveying and progress visualization.
(iv) 4D planning using artificial intelligence.

m. Sustainability
The WEF 2014 report defines sustainability as "long-term economic development compatible with available natural resources and the preservation of natural environment." According to a GRI 2012 report, there are ten global social and environmental sustainability megaforces that are expected to drive and shape business operations until 2030. These are climate change, energy and fuel, material resource scarcity, water scarcity, population growth, wealth, urbanization, food security, ecosystem decline, and deforestation.

According to GRI-KPMG report, there are six types of risks companies face from social and environmental megaforces:

- Physical risk refers to damage to assets and supply chains from physical impacts such as storms, floods, water shortages and sea-level rise.
- Regulatory risk refers to complex and rapid changes to the regulatory landscape.
- Reputational risk refers to damage to corporate reputation from being seen to do the wrong thing.

- Competitive risk refers to impacts of fast-changing market dynamics, and uncertainty of supply and price volatility of key inputs.
- Social risks refer to conflicts, social unrest, community and worker protests, labor shortages, migration, etc.
- Legal or litigation risks refer to exposure to potential legal action, for example, over nondisclosure of environmental, social and governance information.

Since these megaforces are interrelated in a complex system, the company has started to integrate a systems approach to our sustainability strategy, manage risks to reduce long term costs, and capitalize on opportunities starting with corporate social responsibility and sustainability reports. Using GRI as framework, we will be better able to predict and manage risks emanating from sustainability-related dimensions of business and allow the company, among other benefits, to:

- Anticipate and prepare for issues in communities of operation
- Increase agility in process improvement
- Anticipate and prepare for future materials scarcity

n. Cyber security

Cybersecurity is about managing risk. Risk optimization and management, in turn, are about informed decision making. Therefore, the cybersecurity equation has two components: business enablement and asset protection. First, cybersecurity efforts must align with the enterprise governance framework by delivering on business strategy. Cyber risk is a critical business risk and thus an important element of enterprise governance. Second, I&T are key enterprise assets and must be protected on the basis of confidentiality, integrity and availability requirements. Cybersecurity must be considered within the larger context of enterprise governance, because information is vital to success in today's economy. Assessments on cybersecurity threats and equipment to protect against these attacks are continuously being monitored collaboratively with the Central SOC of YGC non-financial sector IT Security Group.

o. Data Privacy

The recently passed Data Privacy Law requires that personal and sensitive information of EEI's stakeholders held by the company be taken care of with utmost privacy. A breach of this requirement would mean stiff penalty and also possibly result to costly lawsuits that may tarnish our reputation. A committee has already been formed to spearhead the awareness for this requirement and implementation of necessary policies that protect personal data.

p. Operational risks

- General. The company's construction projects can generally be divided into 4 types: buildings, infrastructure, electromechanical, and industrual. Whatever the type of project, the operational risks that the company encounters can be categorized under the following types of risks: Estimation errors; issues with manpower; issues with equipment or tools; issues with materials; inefficiencies in EEI's performance during project execution; inefficiencies in client's and their nominated subcontractors' performance during project execution; site conditions that may affect the work; actions by third parties (i.e. the public at large or government) that may affect the work; and government approvals and right of way issues.

  The operational risks that the company encounters from year to year changes only in its mix mainly depending on the mix of projects that are being executed. This is because the nature of the work in each type of project results to a different mix of operational risks.

  To mitigate this risk, increased awareness by project risk owners of the risks and their impact on the projects and probabilistic forecasting to enable improved management of these external factors were implemented. Efforts to enhance the monitoring of project performance including the possible effects of all type of risk exposures are on-going and are expected to further improve the company's anticipation of risks and responses.

  Future construction contracts are being negotiated by EEI to contain provisions that either transfer these externalities or at the very least provide a means of spreading or minimizing the risk. Risk mitigation also happens during the tender stage where EEI can decide to pursue or ignore a tender.

- Accidents. Possibility of accidents is a high risk for any of our projects and this has always been well-managed. However, the Company's portfolio of infrastructure projects (e.g. railways, elevated roads, metrorail transport system to name a few) have significantly increased recently. Such projects cannot be isolated from the general public as these are usually located within urbanized areas. There is heightened exposure of the public at large to accidents due to our construction activities.

  A more stringent safety plan is being implemented in all of the projects particularly those involving infrastructure executed in public areas. Insurance policies, properly designed to sufficiently cover any damage to 3rd parties, are procured to protect the welfare of the general public and also the financial performance of the projects.

- Right of way and obstruction issues. Another standard risk of infrastructure projects is Right of Way (ROW) and obstruction issues that impede construction work resulting to delays and, possibly, costs overruns. Considering that our big-ticket infrastructure projects are mostly located in developed cities, the occurrence of such issues cannot be prevented.

  Whenever possible, EEI taps the capabilities of our design team to explore and suggest redesign of the structure to the client in order to circumvent any ROW or obstruction issues. EEI also anticipates effects of possible ROW or obstruction issues and adjust the plan of the schedule so as to minimize its financial impact without necessarily compromising the project duration.

- Contractual issues. The construction contract is critical in any project's success and the proper understanding and implementation of its provision is key to having a harmonious relationship with the client. However, there is the risk that certain provisions may be vague or even onerous that can put the contractor at a significant disadvantage during disputes. These issues should be identified and properly resolved with the other party to prevent any problems later on.

  EEI has made changes in our contracts management team and appointed a new Contracts Administrator to make the coordination between our legal department and project management team more effective in handling such issues. Lessons learned from past experiences with contractual issues enabled us to come up with a checklist of provisions that we should carefully look at to make sure that contracts are fairly stated and protect our interests. This checklist is part of the considerations made during contract review.

- Resource deployment mismatch. Inaccuracies in the forecast of available work coupled with misunderstanding of the parameter and lead time of mob and demob predisposes to inefficiencies of resources at site which eventually leads to overruns. To mitigate this, EEI apply unification of planning-risk modelling approach with BIM/ AWP-WFP/Optimization deployment initiative.

- Change order and claims risk. Success of our projects equally depend on our ability to recover our change orders and claims. Issues with the contract, contract management and efficiency of project execution may put this in jeopardy which may lead to overruns. To mitigate this risk, EEI collaborates with Contracts Management for contract review and administration during project execution. EEI also rolls out Building Information Model (BIM), Advance Work Package (AWP), Work Face Package (WFP) optimization initiative.

- Designer's risk. These are risks of wrong design including wrong estimate as part of EEI scope. To mitigate this risk, EEI established a risk transfer mechanism via insurance (i.e. PLI)

THE EDUCATION SECTOR

iPeople, inc. ('iPeople") is the holding company under House of Investments that drives investments in the education sector. iPeople is a publicly listed company on the Philippine Stock Exchange (PSE:IPO). iPeople wholy owns Mapúa University, which owns three other operating schools: Malayan Colleges Laguna, Malayan Colleges Mindanao and Malayan High School of Science.

On May 2, 2019, the merger by and between iPeople and Ayala Corporation's wholly-owned subsidiary, AC Education, Inc. ("AC Education") was completed. iPeople is be the surviving entity, with House of Investments and its affiliates, and AC, controlling 51.3% and 33.5%, respectively. With the merger, iPeople has become one of the leading education groups in the country, with almost 60,000 students. The merger folded into the iPeople network the three schools of AEI namely: Affordable Private Education Center, Inc. ("APEC Schools"), University of Nueva Caceres ("UNC") and National Teachers College ("NTC").

The operating schools under the iPeople network are as follows:

(1) **Malayan Education System, Inc. (Operating under the name of Mapúa University).** Mapúa University is widely considered as the leading and largest private engineering and technological university in the Philippines. Don Tomas Mapúa, the first registered Filipino architect, founded Mapúa Institute of Technology on January 25, 1925. It was acquired in 1999 by the YGC, which brought the school into the global and digital age. Mapúa operates in two (2) major campuses: its main campus in Intramuros and its extension campus in Makati. Mapúa University's commitment to its philosophy of Outcomes-Based Education has earned the institution the reputation of being the leader in providing quality education in the country, especially in the field of engineering and information technology.

(2) **Malayan Colleges Laguna, Inc., A Mapúa School ("MCL")** is a wholly-owned subsidiary of Mapúa University located in Cabuyao, Laguna, alongside several science and industrial parks. MCL was established to extend the brand of the Mapúa Institute of Technology to the south by offering programs in engineering and architecture, accountancy, business, communication, computer science, hospitality management, information technology, maritime education, and multimedia arts to students who prefer to stay closer to home. With 21 baccalaureate programs, MCL has five degree-offering colleges, namely College of Arts and Science, College of Computer and Information Science, E.T. Yuchengco College of Business, Mapúa Institute of Technology at Laguna, and the Mapúa-PTC College of Maritime Education and Training. In 2016, MCL also opened its doors to Senior High School (SHS) students, offering a total of six strands under the Academic and the Technical-Vocational-Livelihood Tracks. After thirteen years of operation, MCL was granted Autonomous Status by the Commission on Higher Education last October 2019, as per CHED Memorandum Order No. 12, Series of 2019. Given this, MCL will be offering two new programs, B.S. Business Administration and B.S. Psychology, starting Academic Year 2020-2021.To date, there are 6,101 students under both college and SHS with 44% percent of its college students enrolled in engineering programs.

(3) **Malayan Colleges Mindanao (A Mapúa School), Inc. ("MCM")** is a wholly-owned subsidiary of Mapúa University. Incorporated in 2015, MCM was established to offer Mapua-education in Davao and Mindanao. MCM looms along General Douglas MacArthur Highway in Matina, Davao City, and opened its doors to senior high school and college students last July 2, 2018. MCM has built a community of competent and innovative leaders who possess attributes that make them globally competitive and locally in-demand, distinguishing itself from the rest through these important facets in its educational system: Learner-Centered Outcomes-Based Education, Blended Online and Face-to-Face Learning Sessions, Industry Partnerships, Mindanao-Centric Learning, and Advanced Learning Facilities. Within MCM's DNA is the academic excellence that Mapúa is known for, and MCM is committed to bring about the same level of excellence into its community in Mindanao.

(4) **Malayan High School of Science, Inc. ("MHSS")** is a wholly-owned subsidiary of Mapúa University. MHSS is a science- and math-oriented high school located in Pandacan, Manila. Modeled after similar but publicly funded science high schools, MHSS offers a rigorous academic program geared towards graduating hard-working, mathematical and scientific-trained students that will excel in their university studies and beyond. The school is focused on optimizing student-to-teacher time and currently has 237 students. MHSS has a top-notch faculty, state-of-the-art facilities, and a curriculum that will allow students to "fully express not only their scientific inclinations but also their artistic bent."

(5) **The University of Nueva Caceres (UNC),** the first university in Southern Luzon, traces its humble beginning with the benevolence of Dr. Jaime Hernandez, former Secretary of the Department of Finance, as his way of giving back to the Bicolano community. In February 1948, Dr. Hernandez together with other prominent Bicolanos, formed the Nueva Caceres College, and in 1953, the school attained University Status. In July 2015, the University of Nueva Caceres partnered with Ayala Corporation through Ayala Education, Inc to further enhance the quality of education through industry and technology driven innovations. Currently, the University offers complete basic education, four programs in the College of Arts and Sciences, thirteen in the College of Business and Administration, five in the College of Computer Studies, thirteen in the College of Education, six in the College of Engineering, Nursing Course, Criminal Justice Education, Juris Doctor, and three Doctorate and fifteen Masters Degree programs in the Graduate Studies department. UNC endeavors to fulfill its tri-focal function of instruction, research, and extension while making education accessible and affordable. The battle cry "from first to number one" summarizes UNC's goals of excellence in quality, access, relevance, and responsiveness. UNC aims to be known not only as the first university in Bicol, but to be the Number 1 university in terms of employability of graduates

(6) The **National Teachers College (Doing Business Under the Name of the National Teachers College)** was founded by Dr. Segundo M. Infantado, Sr., a former Director of Public Instruction of the Philippines and Dr. Flora Amoranto-Ylagan, one of the country's leading educator. NTC was officially incorporated on September 29, 1928 and was authorized by the Department of Public Instruction on April 17, 1929 to operate as an educational institution. Its doors opened to the student public on June 10, 1929 and was granted government recognition on February 17, 1930. NTC was the first Higher Education Institution (HEI) in the Philippines to offer collegiate programs dedicated to teacher education. Among private educational institutions in the Philippines, it has attained a pre-eminent place in educational leadership, particularly in the field of teacher education. Its performance in the Licensure Examination for Teachers is always above the national passing rate. With a student population of close to 13,000, NTC continues to perform its share in educating and training teachers, administrators, supervisors, and other professionals who will serve in the interest of the Republic of the Philippines and the world at large.

(7) **Affordable Private Education Center, Inc. (Doing Business Under the Name of APEC Schools**) was founded in 2013 with the vision of providing affordable but quality private education to thousands of Filipinos. Its mission then was to prepare its students for college, employment or both. It is a chain of private high school that offers K-12 program of the Department of Education. Started with only 130 students in 2013, APEC Schools has expanded to 23 branches with more than 15,800 students and almost 800 employees. In 2016, APEC Schools offered Senior High School with the Accounting Business Management (ABM) strand, and Accelerated Career Experience, its own job immersion program developed with employer partners. In 2018, APEC Schools celebrated its 5th year anniversary and graduated the first batch of 2,000 Senior High School students. Most students have gone on to top colleges and universities, while 15% have gone on to be employed within three months of graduation.

<u>Risk Factors related to School Operations</u>

a. Regulatory, recognition of academic programs, and accreditations from government, and selfregulating private accreditation organizations.

- Accreditations. The schools are governed and regulated by the Commission on Higher Education ("CHED") and by the Department of Education ("DepEd"), depending on the program offerings. In addition, MESI and MCL are also accredited by PACUCOA. MESI is also accredited by the ABET; MESI and MCL are both accredited by PTC-ACBET and PICAB. APEC has a MOA with DepEd which allows the company to operate schools without owning the premises. There is a pending Revised DepEd Manual which will formalize this exception.

  The failure of any of our schools to pass government standards, or to meet accreditation renewal standards, may negatively impact the perception of the quality of our academic programs and facilities. If this happens, we might expect our enrolment to decrease, which would have an adverse impact to our profits and cash flow.

- Tuition Fee. The CHED and the DepEd regulates tuition increases at the university level and the secondary level, respectively, and routinely sets maximum limits on percentage increases in tuition fees. This regulation applies to our non-autonomous schools, MCM, UNC, NTC and APEC. The inability of non-autonomous education institutions to increase tuition fees to cover higher operating costs may pose a risk to profits and cash flows over time

- Changes in regulations. The Universal Access to Tertiary Education Act (RA10931) had its implementation in AY 2018-19. This resulted to notable decline in college freshman intake in private schools as large portion of the incoming freshman applied to SUCs/LUCs to avail of free education under the Act. The Free College Education Act poses a risk to our schools. This may adversely impact enrollment numbers if prospective students will opt to enroll in state-run universities and colleges.

b. Competition
   - Faculty. The schools depend on high quality faculty to teach the educational programs. To the extent that they can, the schools at both the tertiary and secondary level recruit faculty with excellent academic credentials and teaching skills. The schools might not be able to recruit the desired faculty due to any number of factors, including mismatches between the desired compensation and offer; competing recruitment from other educational institutions; or candidates seeking opportunities abroad.
     The schools also work to retain key faculty in certain academic disciplines in order to maintain continuity and reduce turnover. If recruitment and retention efforts suffer, the quality of teaching and the quality of academic programs might suffer.

   - Students. Competition among schools for greater student enrolment is fierce. Mapua is an established brand, with ISO 14001:2015 and 9001:2015 certifications, while the other IPO schools are establishing or have established their own brands.

   - Accreditations. IPO Schools continue to pursue accreditations from self-regulating private accreditation organizations in addition to the government accreditation bodies

c. Credit Risk
   As the schools increase their enrollment, the level of receivables also increases. Some of the students who cannot afford to make the full payment of tuition and miscellaneous fees during an academic term execute a Promissory Note and are expected to settle their accounts prior to the start of the next academic term. Majority of the senior high school students of APEC avail of the Senior High School Voucher Program (SHSVP) of the DepEd which results to a longer collection period for the school.

   The schools do not aggressively pursue collection of defaulted student debt given that the default rate is small. Regardless, the schools face a risk that a rise in student defaults on promissory notes would impact profits and cash flows negatively.

d. Operational Risk
   The following may hamper the operations of the IPO schools:
   - Natural calamities and disasters. Our schools, like many other enterprises, are subject to adverse occurrences beyond our control, which include (but are not limited to) earthquakes, floods, and similar natural phenomena. We believe we carry enough insurance to hedge against the monetary damages caused by these events. In the event that the damage to our facilities arising from said events are severe and our insurance is not enough to cover it, our operations and ability to return to normal conditions might be severely affected.

   - Labor unrest. Mapúa University has two unions, Faculty Association of MIT (FAMIT) and MIT Labor Union (MITLU). The other iPeople Schools have none.

     Mapúa University is bound by the collective bargaining agreement (CBA) signed between the institution and the two unions. Mapúa University negotiates with each union separately. The FAMIT represents the faculty members. The MITLU represents the non-teaching staff. To the extent that unions negotiate CBA"s with higher increases over time, this would negatively impact the cost structure of Mapúa University and lower the expected value of its profit and cash flows over time. Furthermore, in the event that a CBA is not negotiated successfully or there is an issue that results in labor unrest or a strike, it could have a material adverse impact on the operations of Mapúa University.

In the event of calamities, strikes, pandemic events, and the like that could hamper the operations of the schools, IPO and all schools have their respective protocols and procedures to manage each particular type of risk. In particular, Mapúa has tested and instituted the use of online facilities such as Blackboard, its learning management system, that enables the school to conduct real-time online classes and facilitates online learning on a school-wide level. This enables the school to continue its classes with minimal disruption. Mapua also has a fully online post-graduate degree courses, implemented online admissions and examinations, and uses e-books instead of traditional school textbooks for all undergraduate and Senior High School students through subscriptions to Wiley and Cengage.

Online learning is likewise being adopted by the other IPO schools through the use of online tools and facilities that approximate a learning management system. Work-from-home arrangements, videoconferencing for meetings and online facilities may also be used to transact business and to ensure operations are not hampered during calamities and pandemic events.

e. Interest Rate Risk
The schools need capital to grow. All of our schools pursue growth opportunities, which may involve any of the following actions: building new teaching and non-teaching facilities at existing campuses; building campuses at new locations.

In order to grow, the schools will need funding. Fund raising can arise from the sale of equity, selling debt securities or bank borrowing. If capital is raised through borrowings, the IPO schools will be subject to interest rate risk. An increase in our negative carry will also adversely impact our profitability.

f. Market Risk and Political Risk
In the event that adverse economic factors hit the country, that may force a subset of students to temporarily drop out and continue their education at a later time, permanently stop school, or transfer to another school. Our student enrolment may be negatively impacted and this will have a negative effect on our profitability.

Since a certain portion of the student population depends on family members who are Overseas Filipino Workers to pay for their tuition and miscellaneous fees. International relations of the Philippines with the employer countries may impact the size and frequency of inward-bound overseas remittances thereby affecting student enrollments.

g. Campus Safety and Security Risk
The potential presence of criminal elements outside the schools pose a risk to our students, especially those who take public transportation. In the event that criminal elements are able to force their way into the schools, the students may lose confidence in the administration"s ability to keep them safe. Student enrolment may be negatively impacted and this will have a negative effect on our profitability. IPO manages this by enforcing security measures such as having guards at entrances and exits, roving guards, and CCTV.

PROPERTY MANAGEMENT SERVICES

LANDEV CORPORATION
House of Investments, Inc. wholly owns Landev Corporation. Landev Corporation is primarily engaged in property management and project management for the YGC. In 2019, Its large contracts include:

- Property management for RCBC Plaza, RCBC Savings Bank Corporate Center, Y Tower 1 and 2, and ETY Building;
- Facilities management for RCBC and RCBC Savings Bank branches nationwide; and
- Project management for the construction of the new Mapúa Makati campus and the renovations of National Teachers' College.

GREYHOUNDS SECURITY AND INVESTIGATION AGENCY

Landev wholly owns a subsidiary named Greyhounds Security and Investigation Agency. GSIA provides comprehensive security services to leading institutions like RCBC Plaza, RCBC Savngs Bank Corporate Center, all RCBC branches, and RCBC Savings Bank.

RCBC REALTY CORPORATION

House of Investments owns 10% of RCBC Realty Corporation, which owns the YGC flagship property, RCBC Plaza.

The RCBC Plaza is the biggest and most modern office development in the Philippines today. Inaugurated in 2001, the complex consists of the 46-storey Yuchengco Tower, 41-storey Tower 2, and a three-level podium. Also housed in RCBC Plaza are the 450-seat Carlos P. Romulo Auditorium, the Yuchengco Museum, a 200-seat chapel, a VIP lounge, banking chambers, convenience and service shops, food court, seven-level basement parking, gym and health spa, and open-air courtyard. YGC members such as the RCBC and AY Foundation hold their offices here.

RCBC Plaza is the first IT zone in Makati designated by the Philippine Economic Zone Auhority.

In May 2018, RCBC Plaza received its Leadership in Energy and Environmental Design (LEED) EBOM Gold certification, making it the first multi-tenanted building in the Philippines to achieve the prestigious certification. LEED is a certification program designed by the US Green Building Council (USGBC) and has become the most widely used green building rating system to assess environmental compliance in terms of sustainability, energy conservation, water reduction, air quality and materials, and resources.

Risk Factors at the Property Services

a. General Economic Conditions
The success of our business is significantly related to general economic conditions and accordingly, our business could be harmed by an economic slowdown and downturn in commercial real estate. Periods of economic weakness or recession, significantly rising interest rates, declining employment levels, declining demand for commercial real estate, falling real estate values, or the public perception that any of these events may occur, may negatively affect the performance of some or all of our business lines.

These economic conditions can result in a general decline in disposition and leasing activity, as well as a general decline in the value of commercial real estate and in rents, which in turn reduces revenue from property management fees and commissions derived from property sales and leasing.

b. Credit Risk
Our business efficiency is highly dependent on our ability to manage our working capital well. If we experience delays in collections of accounts receivable, there will be a impact on the availability of funding for our day-to-day operations.

c. Operational Risk
The success of our business depends on how smoothly we manage the operations of the properties and projects under our management. If we do not successfully manage our existing operational and administrative staff, we may not be able to achieve the anticipated gross margins, service quality, overtime levels and other performance measures that are important to our business, financial condition and results of operations.
Our operations can be challenged by machinery breakdowns, obsolescent parts, logistics and/or manpower shortages or property losses due to fire, adverse weather conditions, earthquakes, and militant activities e.g. rallies and strikes, among others. In addition, our

business is subject to substantial risk of loss resulting from: claims by employees, customers, and third parties for personal injury or property damage; and fines and penalties in connection with alleged violations of regulatory requirements. To mitigate these risks, the company ensures that both the client and the company have adequate insurance.

d. Litigation Risk
We are subject to litigation risks and may face liabilities and damage to our professional reputation as a result of litigation allegations and negative publicity.

In our property and facilities management business, we supervise third-party contractors to provide construction services for our managed properties. While our role is limited to that of an agent for the owner, we may be subject to claims for construction defects or other similar actions.

e. Competition
We compete across a variety of business disciplines within the commercial real estate services industry, including commercial property and corporate facilities management, leasing, and security services. We face competition from other commercial real estate and security service providers, including outsourcing companies that traditionally competed in limited portions of our facilities management business and have recently expanded their offerings, in-house corporate real estate departments, and developers.

- Service Contracts. Competitive pressures in the security services sector may prevent us from increasing our billing rates on contract anniversary or renewal dates. Our profitability will be adversely affected if, due to inflation or other causes, including increases in statutory payroll taxes, we are compelled to increase the wages, salaries and related benefits of our employees in amounts that exceed the amount that we can pass on to our customers through increased billing rates charged under our service contracts.

- Recruitment and Retention. Our business involves the labor-intensive delivery of our services. We derive our revenues through the services rendered by our employees. Our future performance depends in large part upon our ability to attract, train, motivate and retain our skilled operational and administrative staff.
  The loss of the services of, or the failure to recruit, the required complement of security, operational and administrative staff would have a material adverse effect on our business, financial condition and results of operations, including our ability to secure and complete security service contracts.

f. Regulatory Risk
If we fail to comply with laws and regulations applicable to us in our role as a property/facility manager, we may incur significant financial penalties.

We are also subject to a large number of national and local laws and regulations that apply to security agencies and their guards. Any liability we may have from our failure to comply with these regulations may materially and adversely affect our business by restricting our operations and subjecting us to potential penalties.

g. Environmental Liability
We may be subject to environmental liability as a result of our role as a property or facility manager or developer of real estate. Various laws and regulations impose liability on real property owners or operators for the cost of investigating, cleaning up or removing contamination caused by hazardous or toxic substances at a property.

If we fail to disclose environmental issues, we could also be liable to the owner or lessee of a property. Negligence or oversight leading to liabilities incurred by the property owner could adversely result to non-renewal of our contract.

h. Professional Liability
In many cases, our service contracts require us to indemnify our customers or may otherwise subject us to additional liability for events occurring on customer premises. To manage the risk, we ensure that our clients maintain Comprehensive Generail Liability Insurance.

i. Changes in Technology
Technological change that provides alternatives to property services or that decrease the number of personnel to effectively perform their services may decrease our customers' demand for our services. A decrease in the demand for our property services or our inability to effectively utilize such technologies may adversely affect our business, financial condition and results of operations.

Item 2: Properties

The office space used by House of Investments belongs to an affiliate. As a holding company, the Company does not use large amounts of office space. The car division uses leased properties to sell and service vehicles. Each dealership site has lease contracts with their respective landlords. The only exception to this is the property used by Honda Cars Quezon Avenue, which is owned by House of Investments.

The following summarizes information on House of Investments and subsidiaries real property ownership as of June 30, 2020.

PROPERTY DESCRIPTION	DATE ACQUIRED	TYPE
HOUSE OF INVESTMENTS, INC.		
Quezon Avenue	2002	Industrial
EEI CORPORATION		
Talayan, Q.C.	2002	Warehouse
Itogon, Benguet	1985	Residential (Monterazza)
Nueva Ecija	1997	Agricultural
Bulacan	1997	Agricultural
Golden Haven Memorial - Las Pinas	2003	Memorial Lots
San Jose, Sta Maria, Bulacan	2005	Industrial
Minuyan, San Jose del Monte, Bulacan	2005	Agricultural
Minuyan, San Jose del Monte, Bulacan	2005	Cogon/Agricultural
Bauan, Batangas	2012	Fabrication Shop
EEI CONSTRUCTION AND MARINE, INC.		
Silang, Cavite	2010	Fabrication Shop
EEI REALTY CORP.CORPORATION		
Trece Martires, Cavite	1995	Residential
Trece Martires, Cavite	1995	Industrial
Trece Martires, Cavite	1995	Developed Residential
Calamba, Laguna	1995-96	Residential
Marikina - Suburbia East	1999	Residential
EQUIPMENT ENGINEERS, INC.		
Itogon, Buenguet	2006	Residential
Irisan, Benguet	2009	Residential
GULF ASIA INTERNATIONAL CORPORATION		
General Trias, Cavite	1998	Residential
EEI POWER CORPORATION		
Tagum City, Davao Del Norte	2013	Industrial
MALAYAN EDUCATION SYSTEM, INC.		
Intramuros, Manila	1999	School campus
Intramuros, Manila	2013	Vacant lot for expansion
Sta. Cruz, Makati City	2018	School Campus (Bldg. under construction)
MALAYAN HIGH SCHOOL OF SCIENCE, INC.		
Paco, Manila	2002	School campus
MALAYAN COLLEGES LAGUNA, INC.		
Cabuyao, Laguna	2010	School campus
Cabuyao, Laguna	2012	Vacant lot

PROPERTY DESCRIPTION	DATE ACQUIRED	TYPE
MALAYAN COLLEGES MINDANAO, INC.		
Ma-a, Davao	2015	School campus
Ma-a, Davao	2018	School campus
NATIONAL TEACHERS COLLEGE		
Quiapo, Manila	2019	School Campus
Quiapo, Manila	2019	School Campus
Quiapo, Manila	2019	School Campus
UNIVERSITY OF NUEAVA CACERES		
J. Hernandez Ave., Naga City	2019	School Campus
AC COLLEGE OF ENTERPRISE AND TECHNOLOGY, INC.		
San Jose del Monte City, Bulacan	2019	Vacant Lot
SAN LORENZO INVESTMENT HOLDINGS AND SERVICES, INC.		
Sen. Gil Puyat Ave., Makati	2019	School campus

The following details the properties that House of Investments and subsidiaries have leased:

PROPERTY DESCRIPTION	LOCATION	LEASE EXPIRATION
HOUSE OF INVESTMENTS, INC.		
Dealership	Paco, Manila	2026
Dealership	Paco, Manila	2026
Dealership	Marikina	2020
Dealership	Commonwealth, QC	2020
Dealership	Commonwealth, QC	2021
Dealership	Marcos Highway	2023
Dealership	Greenhills	2028
HONDA CARS KALOOKAN, INC.		
Dealership	EDSA, Caloocan	2033
Dealership	Mandaluyong	2022
AFFORDABLE PRIVATE EDUCATION CENTER, INC.		
Office	Head Office	2024
School campus	V. Luna	2028
School campus	Dona Juana	2024
School campus	North Fairview	2027
School campus	C. Raymundo	2027
School campus	C. Raymundo v.1	2026
School campus	Marikina Heights	2020
School campus	Grace Park West	2027
School campus	Tondo	2028
School campus	Tondo (Annex)	2025
School campus	Muntinlupa	2021
School campus	Sta. Rita Sucat	2025
School campus	Dasmariñas	2027
School campus	Bacoor-San Nicolas	2020
School campus	Bacoor-Molino	2029
School campus	G. Tuazon	2021
School campus	Roxas Boulevard	2029
School campus	Pateros	2028

PROPERTY DESCRIPTION	LOCATION	LEASE EXPIRATION
School campus	Taytay	2020
School campus	Ortigas Ext., Cainta	2027
School campus	Calumpang-Annex	2028
Building	España	2029
Building	JRU Lipa	2021
Building	Las Piñas	2026
Building	Concepcion Dos	2026
Building	New Manila	2021
Building	San Pablo	2029

Certain properties, machinery, equipment, and other fixed assets of the group are used to secure loans payable and long-term debt from various banks and other financial institutions. These consist mainly of mortgages on various assets of MES and EEI.

For additional details on the Group's loans payable and long-term debt and the corresponding encumbrances on their assets, refer to the notes related to loans payable, and to the notes related to long term-debt in the Consolidated Financial Statements.

The principal assets reflected in the consolidated balance sheets are registered mainly under the Company and its main subsidiaries that are engaged in construction and infrastructure, education, and car dealership. As a holding company, House of Investment's indirect ownership on the said properties covers/applies only to the extent of, and is limited by the amount of holdings it has in these subsidiaries.

Item 3 – Legal Proceedings

EEI has not been involved in any legal proceeding for petition for bankruptcy, insolvency, or receivership. No judgment or resolution have been issued against any Director or Officer which would materially affect their ability or put into question their integrity to serve in their current position. The Corporation in involved in various cases the final resolution of which will not have any material effect on the continued operation or financial position of the Corporation.

Mapúa University is involved in certain disputes that arise in the ordinary conduct of business. Management believes that these suits will ultimately be settled in the normal course of operations and will not adversely affect the subsidiaries' financial position and operating results.

Item 4 - Submission of Matters to a Vote of Security Holders

The following matters will require the vote of the Company's stockholders owning more than 2/3 of the outstanding number of shares during the Annual Stockholders' Meeting on 17 August 2020:

a. Amendment of Article First of the Articles of Incorporation and the By-laws to reflect the amendment in the corporate name of the Company
b. Amendment of Article Third of the Articles of Incorporation to reflect the change in the principal office address of the Company

2. Management Discussion and Analysis of Financial Condition and Results of Operations

CONSOLIDATED RESULTS

Year 2019 vs. 2018

INCOME STATEMENT

The Group registered a 42% growth in net income, from P1,164.28 million in 2018 to P1,649.45 million this year.

Total revenues grew by 6%, from P32,346.34 million to P34,129.84 million, primarily because of increase in construction revenues driven by the robust production levels of infrastructure projects of EEI; coupled with higher revenues from education segment brought about by (a) higher number of enrollees; (b) full 9-month operations of Malayan Colleges Mindanao ("MCM") compared to just 2 months last year; and (c) contributions from newly acquired subsidiaries of iPeople as a result of the merger effective May 2, 2019. On the other hand, the car dealerships registered an 8% drop in revenues due to increased competition which resulted to lower number of vehicle units sold.

Equity in net earnings of associates increased from P255.78 million to P727.82 million primarily because of higher intake from Al-Rushaid Construction Company, Ltd. (a foreign affiliate of EEI).

General and administrative expenses increased by 6%, from P2,651.24 million to P2,818.97 million, primarily attributable to (a) payment of Capital Gains Tax relative to the sale by the Parent Company of its direct investment in Mapua to iPeople; (b) increase in the number of personnel to support the growing business of the group; (c) depreciation of newly constructed/renovated school campuses; and (e) expenses of the newly acquired companies of iPeople group. Interest and finance charges increased due to new loans obtained by the Group to finance its existing projects and developments costs. Also, the adoption of the new accounting standard on Leases, PFRS 16, contributed P79.5 million in interest cost this year.

BALANCE SHEET

Consolidated total assets stood at P52.0 billion against P39.60 billion last year.

Total current assets increased by 42%, from P16.09 billion last year to P22.83 billion, whereas the total non-current assets increased by 24%, from P23.50 billion to P29.16 billion.

The significant movements of the balance sheet accounts are brought about by the Group's adoption of PFRS 16 (Leases) effective January 2019 and the consolidation of newly acquired subsidiaries resulting from the merger of AC Education into iPeople effective May 2, 2019.

Cash and cash equivalents increased from P2.04 billion to P2.69 billion mainly because of iPeople's new subsidiaries coupled with collection of progress billings and retention receivables from various completed domestic projects of EEI. Receivables were higher due to billed trade receivables of EEI, timing of start of classes of the schools and contribution of the newly acquired subsidiaries of iPeople. Contract assets, which is composed of unbilled production and net retention receivables, registered a significant growth this year due to higher construction activities of EEI. Receivable from related parties was lower by P74.73 million due to payment of an affiliate. Inventories dropped by 12% as a result of lower inventory held by car dealerships. Prepaid expense and other current assets, which includes unutilized input and creditable withholding taxes of the Group, increased from P1.46 billion to P1.98 billion primarily because of increased advances to suppliers and contractors of EEI.

Total noncurrent assets at P29.16 billion from P23.51 billion last year, includes assets of the entities acquired by iPeople.

Equity investments grew from P0.97 billion to P1.15 billion primarily because of the increase in the valuation of the unquoted shares of EEI in Hermosa Ecozone Development Corporation in compliance with PFRS 9.

Investments in associates and joint ventures grew by 12% due to investment in Sojitz G Auto Philippines Corporation, wherein the Parent company has 20% stake, coupled with higher equity earnings intake for the period. Increase in property and equipment at cost and revalued pertains mainly to assets of the newly acquired subsidiaries of iPeople as a result of the merger with AC Education, Inc. Right of use asset is a result of adoption of the new accounting standard, PFRS 16. Retirement assets dropped due to higher cost recognized for the year as a result of higher headcount and lower discount rate. Deferred tax asset pertains mainly to the tax effect of remeasurement loss on defined benefit plans of the Group. The reduction in other noncurrent assets pertain mainly to collection of the outstanding receivables of EEI.

Consolidated total liabilities increased from P21.43 billion to P28.50 billion.

Total current liabilities increased from P18.58 billion to P20.30 billion. Loans payable dropped as a result of the conversion of loans of iPeople to a longer term, coupled with payments of matured loans. Increase in accounts payable and accrued expenses pertain to heightened production activities of EEI which resulted to increased billings from various subcontractors and suppliers. Income tax payable increased by P32 million as a result of higher taxable income of the Group. Due to related parties mainly pertains to foreign currency adjustment in relation to EEI's account in ARCC. Current portion of lease liability resulted from the new accounting standard, PFRS 16, wherein present value of operating leases is recorded in the books of the Company.

Total noncurrent liabilities increased from P2.85 billion to P8.20 billion. Increase in long term debt pertains mainly to reclassification of iPeople's short-term loan to long-term loan. Accrued retirement liability increased significantly due to higher actuarial losses recognized for the year as a result of lower discount rate compared to last year. Increase in deferred tax liabilities is related to the revaluation increment on land of the Group, including the properties of the newly acquired companies of iPeople. Noncurrent lease liability pertains to recognized liability on the remaining lease term of the group in compliance with PFRS 16. Other noncurrent liabilities pertain mainly to contract obligations of EEI on projects with completion date beyond one year after balance sheet date.

Consolidated equity grew from P18.17 billion to P23.49 billion, of which P14.744 billion is attributable to the Parent Company. Reduction in preferred stock and increase in common stock is attributable to the conversion of preferred shares of the Parent Company. Equity reserve on acquisition of noncontrolling interest pertains to the difference in acquisition cost and par value of the EEI shares acquired by the Parent Company, as well as the result of the dilution of its ownership interest in iPeople. Reduction in revaluation increment pertains to re-attribution of the Parent Company's share in iPeople to noncontrolling interest, as a result of the merger. Changes in fair value of equity investments carried at FVOCI is higher due to the increase in fair market value of investment in Hermosa Ecozone Development Coporation.

Total consolidated retained earnings increased from P9.20 billion to P10.11 billion.

Year 2018 vs. Year 2017

INCOME STATEMENT

The Group registered a net income after tax of P1.16 billion against P1.46 billion in 2017.

Total revenues grew by 17%, from P27.55 billion to P32.31 billion, primarily because of increase in construction revenues as a result of higher construction activities of on-going domestic projects of EEI. This was softened, however, by lower revenues from both the education and the car dealership segments. For the year, the car dealerships registered a 29% drop in revenues due to lower number of vehicle units sold. Likewise, the education segment showed a decline compared to last year due to combined effects of change in academic calendar year and lower average number of students.

Other income is lower this year primarily because of the following: (a) recognition of gain on sale of its investment property amounting to P270 million in 2017; (b) reversal of long outstanding payables amounting to P79 million, also in 2017; and (c) reclassification of the dealer's income and commission income to Revenues, as a result of adoption of PFRS 15 effective this year. Equity in net earnings dropped by 12% primarily because of the Group's share in the net losses of one of its associates, Al-Rushaid Construction Company, Ltd. (ARCC).

General and administrative expenses increased by 14% primarily due to: (a) provision for probable losses on consultancy fee receivable under the construction segment amounting to P325 million, (b) increase in taxes and licenses due to higher DST, resulting from additional loans obtained by the Group coupled with increase in tax rates upon implementation of the TRAIN law; and (c) increase in rent and utility expenses. Interest expenses increased by 65% due to increase in loan level coupled with increase in interest rates. Provision for income tax is higher by 26% due to higher taxable income posted by the Group during the year.

BALANCE SHEET

Consolidated total assets stood at P39.60 billion against P37.35 billion last year.

Total current assets dropped by 9%, from P17.73 billion last year to P16.09 billion, whereas the total non-current assets increased by 20%.

The significant movements in the following accounts are brought about by the Group's adoption of the new standards, PFRS 9 (Financial Instruments) and 15 (Revenue from Contracts with Customers), effective January 2018:

- Receivables, due to reclassification of retention receivables of EEI to a new account, Contract Assets (for the current portion) and to Other non-current assets (for the non-current portion);
- Contract assets, a new account upon adoption of PFRS 15, which represents all construction work-in-progress, including the portion retained by the customer;
- Costs and estimated earnings in excess of billings on uncompleted contracts, the old account description prior to adoption of PFRS 15, which included unbilled production and uninstalled materials;
- Inventories, which now includes uninstalled materials;
- Equity investments at fair value through other comprehensive income, formerly presented as Available for Sale Financial Assets, which represents the Group's total investments at its fair value. Prior to PFRS 9, the unquoted equity investments of the Group are measured at its cost.
- Deferred tax assets, due to the tax effect on the recognition of allowance for impairment on receivables relative to adoption of PFRS 9.

Receivable from related parties is lower compared to last year due to improved collections of an EEI subsidiary from other YGC entities. Prepaid expenses and other current assets increased due to higher unutilized input value added tax and creditable withholding taxes of the Group.

Investments in associates and joint ventures increased by 14% mainly due to the additional shares of Petroenergy Resources Corporation (PERC) purchased by the Parent Company amounting to P332.60 million. Increase in property and equipment pertains mainly to acquisition of machinery, tools and equipment intended for newly awarded domestic projects of EEI, and the increase in the market value of the Group's real properties.

Consolidated total liabilities increased from P21.0 billion to P21.43 billion.

The Group's adoption of PFRS 9 and 15 resulted to the following changes:

- Introduction of a new account, Contract Liabilities, which represents the consideration received by the Group before it transfers goods or services to its customers. For this period, the Contract Liabilities presented in the Group's Statement of Financial Position represent its unearned tuition fees and customers' deposits;
- Reclassification of Billings in Excess of Costs and Estimated Earnings to Contract Liabilities. This account represents the unrecouped portion of the down payment paid by the customers on construction contracts. For this period, the total transaction amount has been offset against the Contract Assets.
- Increase in deferred tax liabilities, which represent taxes related to change in measurement of the Group's investment in unquoted securities, from cost to fair value.

Total current liabilities increased from P18.10 billion to P18.58 billion primarily due to additional loans obtained by the Group to finance the new projects of EEI and the on-going construction in P.Ocampo property, as well as to settle the outstanding development costs of Malayan Colleges of Mindanao. Increase in accounts payable and accrued expenses pertain to increased production activities of EEI thereby incurring higher billings from subcontractors and suppliers. Current portion of long term debt is higher due to additional borrowings of EEI to fund its operational requirements. Income tax payable increased by P20 million as result of higher taxable income incurred by the Group. Due to related parties mainly pertains to foreign currency adjustment in relation to EEI's share in ARCC's income tax and other administrative fees.

Total noncurrent liabilities decreased from P2.90 billion to P2.85 billion. Reduction in long term debt pertains mainly to net impact of the partial settlement of the Parent Company of its loans. Reduction in other noncurrent liabilities was due to reclassification of deferred VAT output to accounts payables and accrued expenses account.

Consolidated equity grew from P16.35 billion to P18.17 billion, of which P12.43 billion is attributable to the Parent Company. Reduction in preferred stock represents the regular redemption of the Parent Company. Revaluation increment represents the increase in the fair market value of the Group's real properties based on the recent valuation reports. Cumulative translation adjustment pertains mainly to exchange differences arising from the translation of financial statements of the foreign subsidiary, EEI BVI, whose functional currency is the United States dollar and foreign associate, ARCC with functional currency of Saudi Arabia Riyal. Retained earnings grew from P8.41 billion to P9.20 billion.

Year 2017 vs. Year 2016

INCOME STATEMENT

The Group posted a net income after tax of P1.46 billion vis-à-vis the P0.22 billion in 2016. The increase is attributable to improved performance in the automotive segment and of one of the associates of the Group, Al-Rushaid Construction Company, Ltd (ARCC).

Total revenues grew by 7%, from P25.74 billion to P27.55 billion, primarily because of higher sales volume of the car dealerships. Revenues from the construction segment are slightly lower due to right of way issues, which slowed down the progress of construction of MRT 7 and Skyway 3. This is the primary reason for the drop in sale of services. Similarly, revenues from schools and related operations are lower this period still because of the effect of the K plus 12 program of Department of Education, which resulted to lower number of Freshmen and Sophomore enrollees. Dividend income has also dropped, from P52.89 million to P1.85 million, mainly because last year includes dividends from RRC, an affiliate of the Group.

Other income increased by 93%, from P476.23 million to P920.94 million, on account of: (a) gain on sale of investment property; (b) increase in dealers' income; (c) increase in commission income; and (d) reversal of long outstanding payables of the Group. Income from investment in other companies showed a significant improvement, hence for this period the Group reported equity in net earnings of P0.29 billion compared to last year's equity in net losses of P1.09 billion.

General and administrative expenses increased by 10% largely due to higher selling and marketing costs of the car dealerships as it intensified the promotion of new model units. The increase is also attributable to: (a) higher personnel cost due to increase in manpower; (b) increase in rent and utilities as a result of new leased office spaces and renewal of existing leases; (c) higher taxes due to documentary stamp tax (DST) on loans; and (d) higher depreciation mainly due to additional machinery and construction equipment acquired by EEI.

BALANCE SHEET

Consolidated total assets stood at P37.35 billion against P33.69 billion last year.

Total current assets increase by P0.40 billion or 2% higher than last year. Cash and cash equivalents are lower this year as the Group continues to pay down its loans and its other obligations. Receivables increased by 16% primarily due to new projects of EEI and increase in sales of the car dealerships. Cost and estimated earnings in excess of billings on uncompleted contracts is lower than last year due to completion of several domestic projects of EEI. Inventories are lower by 29% due to higher sales volume of the dealerships. Receivables from related parties are significantly higher because of advances made by EEI Limited, a foreign subsidiary of EEI Corporation, to ARCC. Prepaid expenses and other current assets are higher by 29% due to increase in unutilized input taxes and advances to contractors and suppliers of EEI.

Investments in associates and joint ventures increased by 30% due to improved financial performance of ARCC, where EEI has a 49% stake, from net loss in 2016 to net income this year. The full redemption of RRC of its preferred shares resulted to reduced available-for-sale securities. Investment properties dropped significantly due to sale of the Group's property in Batangas. Increase in property and equipment pertains mainly to construction of a new school building in Mindanao and acquisition of new machinery, tools and construction equipment. Increase in other noncurrent assets pertains primarily to receivable of the Group relative to the sale of its Batangas property.

Consolidated total liabilities increased from P19.08 billion to P21.00 billion.

Total current liabilities increased from P15.77 billion to P18.10 billion primarily due to additional loans availed by the Group to finance the new projects of EEI and the construction of the new school building in Mindanao. Reduction in accounts payable and accrued expenses pertain primarily to settlement of obligations to its suppliers and contractors. Whereas, reduction in billings in excess of costs and estimated earnings on uncompleted contracts represent recoupment of down payment from EEI's completed projects. Unearned tuition fees are higher due to increase in the number enrollees in SHS.   Increase in customers' deposits represents collections from EEI's prospective buyers for its housing project in Cavite.

Total noncurrent liabilities were reduced from P3.32 billion to P2.90 billion as the Group continues to pay down its long-term debt. The increase in deferred tax liabilities represent taxes related to revaluation increment of land, which has significantly increased this year.

Consolidated equity grew from P14.61 billion to P16.35 billion, of which P11.20 billion is attributable to the Parent Company. Reduction in preferred stock represents the regular redemption of the Parent Company. Retained earnings increased from P7.53 billion to P8.41 billion.

Financial Ratios

Below are the financial ratios that are relevant to the Group's for the years ended December 31, 2019 and 2018:

Financial ratios		**2019**	2018
Current ratio *Indicates the Group's ability to pay short-term obligation*	Current Assets / Current Liabilities	**1.12:1**	0.87:1
Solvency Ratio *Shows how likely a company will be to continue meeting its debt obligations*	Net Income+Depreciation / Total liabilities	**0.11:1**	0.10:1
Debt-to-equity ratio *Measures the Group's overall leverage*	Total Debt / Total Equity	**1.21:1**	1.18:1
Asset to Equity Ratio *Measures the group's leverage and long-term solvency*	Total Assets / Total Equity	**2.21:1**	2.18:1

Financial ratios		**2019**	2018
Interest Rate Coverage *Shows how easily a company can pay interest on outstanding debt*	EBIT* / Interest Expense	**3.70:1**	4.65:1
Return on Assets *Measure the ability to utilize the Group's assets to create profits*	Net Income / Average Total Assets	**3.60%**	3.03%
Return on Equity *Reflects how much the Group's has earned on the funds invested by the stockholders*	Net Income / Average Total Equity	**7.92%**	6.74%

**Earnings before interest and taxes*

Current ratio improved from 0.87 in 2018 to 1.12 in 2019. This is attributable to increase in production activities of EEI which resulted to higher contract assets, and assets of the newly acquired entities of iPeople.

Solvency ratio increased from 0.10 in 2018 to 0.11 in 2019 mainly because of higher net income posted by the Group.

Debt-to-Equity ratio measures the Group's leverage. It increased from 1.18 to 1.21 this year primarily due to the impact of adoption of PFRS 16 (Leases) and PFRS 15 (Contract Liabilities).

Asset-to-Equity ratio increased from 2.18 to 2.21 due to the effect of PFRS 16 (Leases) coupled with the inclusion of the assets of the newly acquired entities of iPeople.

Interest Rate Coverage ratio shows how easily a company can pay interest on outstanding debt. It is lower at 3.70 times compared to last year due to additional loans obtained by the group which resulted to higher interest cost, coupled with the impact of the adoption of PFRS 16 (Leases).

Return on Assets measures the ability to utilize the Group's assets to create profits. The Group's return on assets
for the year 2019 increased to 3.60% from 3.03% in 2018 due to higher earnings posted by the Group for the year.

Return on Average Stockholders' Equity (ROAE) measures the profitability of the Company in relation to the
average stockholders' equity. The ROAE for 2019 increased to 7.92% from 6.74% in 2018 due to higher income generated by the Group.

The above-mentioned ratios are applicable to the Group as a whole.

Other qualitative and quantitative factors

(i) There are no known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the Company's liquidity increasing or decreasing in any material way;

   a. House of Investments does not anticipate any cash flow or liquidity problems within the next twelve months;
   b. House of Investments is not in default or breach of any note, loan, lease, or other indebtedness or financing arrangement which will require the Company to make payments;

c. There is no significant amount of trade payable that have not been paid within the stated terms; and
d. House of Investments depends on dividends from its subsidiaries as its source of liquidity.

(ii) There are no events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation;

(iii) There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period;

(iv) Below are the material commitments for capital expenditures, the general purpose of such commitments, and the expected sources of funds for such expenditures.

iPeople, inc's subsidiary, Malayan Education System, Inc. (Operating under the name of Mapúa University) is constructing of a new campus on a 5,114 square-meter property in Makati. Completion is expected in time for the Academic Year 2020-2021. The entire project is estimated to cost around P2.5 billion and will be funded partially by debt.

(v) Below are the known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations.

There is no known trend, event or uncertainty that have had or that are reasonably expected to have a material impact on the net sales or revenues or income of the Group from continuing operations;

(vi) There are no significant elements of income or loss that did not arise from the House of Investments' continuing operations;

(vii) The causes for any material change from period to period which shall include vertical and horizontal analyses of any material item are discussed above;

(viii) There are no seasonal aspects that had a material effect on the financial condition or results of operations.

MARKET PRICE OF AND DIVIDENDS ON REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDERS' MATTERS

a. Market for Issuer's common equity and related stockholder matters
The common stock (PSE: HI) is traded on the Philippine Stock Exchange. The market price of HI's common stock as June 29, 2020 (latest practicable trading date) is at P3.34 for high and for low.

PERIOD	HIGH	LOW
2020 First Quarter	6.24	3.60
2019 Fourth Quarter	5.73	5.20
2019 Third Quarter	6.55	5.75
2019 Second Quarter	7.14	6.09
2019 First Quarter	7.14	5.75
2018 Fourth Quarter	7.80	5.75
2018 Third Quarter	9.00	5.70
2018 Second Quarter	7.23	5.96
2018 First Quarter	7.82	6.90
2017 Fourth Quarter	8.00	6.25
2017 Third Quarter	8.68	7.40
2017 Second Quarter	8.40	6.12
2017 First Quarter	6.68	5.76

Stockholders

The top 20 owners of common stock as of May 31, 2020 are as follows:

STOCKHOLDER	COMMON SHARES	% OF TOTAL
Pan Malayan Management & Investment Corporation*	356,632,814	45.91%
PCD Nominee Corp (Filipino)	243,582,331	31.36%
PCD Nominee Corp (Non Filipino)	33,372,536	4.30%
Alfonso T. Yuchengco, Inc.	11,240,012	1.45%
GDSK Development Corporation	5,064,840	0.65%
Go Soc & Sons And Sy Gui Huat, Inc.	4,019,890	0.52%
Enrique T. Yuchengco, Inc.	5,181,612	0.67%
Y Realty Corporation	3,545,890	0.46%
Malayan Securities Corporation	2,790,000	0.36%
Seafront Resources Corp.	2,484,000	0.32%
Meer, Alberto M.	2,217,030	0.29%
Cheng, Berck Y.	850,000	0.11%
Villonco, Vicente S.	803,800	0.10%
RP Land Development Corp.	726,720	0.09%
Lim, Tek Hui	627,000	0.08%
EBC Securities Corporation	485,320	0.06%
Dee, Helen Y. ITF: Michelle	482,240	0.06%
Bardey, John C.	476,230	0.06%
Wilson, Cathleen Ramona	420,170	0.05%
Wilson, Claudia	420,170	0.05%
SUB TOTAL	675,422,605	86.95%
Others	101,042,676	13.05%
TOTAL	**776,465,281**	**100.00%**

House of Investments has a total of 384 common shareholders owning a total of 776,465,281shares as of May 31, 2020.
* Represents certificated shares only.
House of Investments redeemed all the outstanding preferred shares of the Company on May 20, 2020.

Dividends

In accordance with the Corporation Code of the Philippines, HI intends to declare dividends (either in cash or stock or both) in the future. Common and preferred stockholders of HI are entitled to receive a proportionate share in cash dividends that may be declared by the Board of Directors out of surplus profits derived from HI's operations after satisfying the cumulative interest of preferred shares.

The same right exists with respect to a stock dividend of which the declaration is subject to the approval of stockholders representing at least two-thirds (2/3) of the outstanding shares entitled to vote. The amount will depend on HI's profits and its capital expenditure and investment requirements at the relevant time.

The company has declared cash dividends as follows:

YEAR	DIVIDEND PER COMMON SHARE	DIVIDEND PER PREFERRED SHARE	TOTAL AMOUNT
Q1 2020	N/A	P0.00516	P86.56 K
Q4 2019	N/A	P0.00512	P85.86 K
Q3 2019	N/A	P0.00542	P3.35 MM
Q2 2019	P0.065	P0.00721	P55.22 MM
Q1 2019	N/A	P0.00758	P4.69 MM
Q4 2018	N/A	P0.00719	P4.45 MM
Q3 2018	N/A	P0.00529	P3.27 MM
Q2 2018	P0.065	P0.02274	P54.10 MM
Q1 2018	N/A	P0.00465	P2.95 MM
Q4 2017	N/A	P0.00402	P2.62 MM
Q3 2017	N/A	P0.00413	P2.76 MM
Q2 2017	P0.065	P0.02154	P2.88 MM
Q1 2017	N/A	P0.00415	P2.92 MM

HI has not identified any restriction that limits the ability to pay dividends on common equity or that are likely to do so in the future.

b. Recent Sales of Unregistered or Exempt Securities, Including Recent Issuance of Securities Constituting an Exempt Transaction

There was no sale of unregistered securities and no recent issuance of securities in 2019 except for those related to conversions from preferred shares to common shares during the period.

Description of Registrant's Securities:

The equity capital structure of the firm as of May 31, 2020 is shown below:

	Common Stock	Preferred
Authorized Capital	1,250,000,000	2,500,000,000
Issued	776,765,281	-
Paid Up Capital	P1,165,147,921,50	-
Par Value	P1.50	P0.40

ANNEX "D"

HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

AND

REPORT OF INDEPENDENT AUDITOR

HI

HOUSE OF INVESTMENTS, INC.

A YGC Member

3rd Floor, Grepalife Building, 219 Sen. Gil Puyat Avenue, Makati City

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of House of Investments, Inc. and Subsidiaries is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2019, 2018 and 2017, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders or members.

SyCip, Gorres, Velayo & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

HELEN Y. DEE
Chairman of the Board

LORENZO V. TAN
President and Chief Executive Officer

GEMA O. CHENG
EVP - COO/Chief Financial Officer & Treasurer

SUBSCRIBED AND SWORN TO BEFORE ME THIS DAY OF JUN 26 2020 ... CITY OF MAKATI AFFIANT EXHIBITED HIS/HER COMMUNITY TAX CERTIFICATE NO. ______ ISSUED ON ______ ISSUED AT ______

JOSHUA P. LAPUZ
Notary Public for Makati City
Appointment No. M-66 / Until 12-31-2021
Roll No. 45790 / IBP Lifetime No. 04897 / 7-3-03
PTR O.R. No. 8116016 / 1-2-20 / Makati City
MCLE No. VI-0016565 / 1-14-19
G/F, Fedman Suites, 199 Salcedo St.
Legazpi Village, 1229 Makati City

Signed this 22nd day of May, 2020

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BOOK NO. 109
SERIES OF 2020

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Philippines

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Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and the Stockholders
House of Investments, Inc.

Opinion

We have audited the consolidated financial statements of House of Investments, Inc. (the Parent Company) and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2019 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Recognition of revenue from construction contracts

More than 60% of the Group's revenue are derived from construction projects on electro-mechanical works, industrial, buildings and infrastructure. The Group assessed that there is only one performance obligation for each construction agreement that it has entered and that revenue arising from such agreements qualify for recognition over time. The Group also recognized as part of its construction revenue, the effects of variable considerations arising from various change orders and claims, to the extent that they reflect the amounts the Group expects to be entitled to and to be received from the customers, provided that it is highly probable that a significant reversal of the revenue recognized in connection with these variable considerations will not occur in the future. The Group elected to use the input method to measure the progress of the fulfilment of its performance obligation, which is based on the actual costs incurred to date relative to the total estimated cost to complete the construction projects.

Aside from the significance of the amount involved, we consider this as a key audit matter because this process involves significant judgment and estimates, particularly with respect to the estimation of the variable considerations arising from the change orders and claims and calculation of estimated cost to complete construction projects (i.e., determination of the quantity of the inputs such as materials, labor and equipment needed to complete the construction), which requires the technical expertise of the Group's engineers.

The Group's disclosures about construction revenue are included in Notes 4 and 23 to the consolidated financial statements.

Audit response

We inspected sample contracts and supplemental agreements and reviewed management's assessment on the identification of performance obligation within the contract and the timing of revenue recognition. Where construction revenue includes significant effects of the variable considerations, we obtained an understanding of the management's process to estimate the amount of consideration expected to be received from the customers. For change orders and claims of sample contracts, we compared the amounts approved by the customers against the amounts estimated by management to be received from those customers.

For the measurement of progress of the construction projects, we tested actual costs incurred by examining invoices and other supporting third party correspondence on a sampling basis. We also considered the competence, capabilities and objectivity of the Group's cost engineers by referring to their qualifications, experience and reporting responsibilities. We conducted ocular inspections on selected sample projects and discussed the status of the projects under construction with the Group's engineers.

We inspected the related project documentation and inquired about the significant deviations from the targeted completion.

Accounting for investment in Al-Rushaid Construction Company Ltd.

The Group owns 49% equity interest in Al-Rushaid Construction Company Ltd. (ARCC), associate accounted for under the equity method. As of December 31, 2019, ARCC recognized deferred tax asset on net operating loss carryover of ₱347.29 million. We consider the accounting for the results and investment in ARCC as a key audit matter because the Group's share in ARCC's net earnings and the carrying value of the investment represents 13% of Group's consolidated net income and 2% of the Group's total consolidated assets, respectively. In addition, management's assessment process on the recoverability of the tax loss is based on assumptions, which are affected by expected future market or economic conditions.

The Group's disclosures about the investment in ARCC are included in Note 12 to the consolidated financial statements.

Audit response

We sent instructions to statutory auditors of ARCC to perform an audit on the relevant financial information of ARCC for the purpose of the Group's consolidated financial statements of the Group. These audit instructions cover their scope of work, risk assessment procedures, audit strategy and reporting responsibilities. We discussed with ARCC statutory auditors about their key audit areas, planning and execution of audit procedures, significant areas of estimation and judgment. We also reviewed their working papers and obtained relevant conclusion statements related to their audit procedures. Furthermore, we also evaluated management's assumptions on the recoverability of deferred tax assets and inquired with the Group's management on the basis of the financial forecast. We evaluated management's forecast against historical performance of ARCC.

Valuation of unquoted equity investments carried at fair value through other comprehensive income

The Group has unquoted equity investments classified as equity investments at fair value through other comprehensive income (FVOCI) amounting to ₱1.0 billion, comprising 2% of total consolidated assets as at December 31, 2019. The valuation of these investments is significant to our audit because it is inherently subjective as it involves the use of valuation inputs that are not market observable. Management also applied judgment in selecting the valuation technique and the assumptions to be used.

The Group's disclosures about its unquoted equity investments are included in Notes 11 and 38 to the consolidated financial statements.

Audit response

We evaluated the competence, capabilities and qualifications of the external valuers by considering their qualifications, experience and reporting responsibilities. For the unquoted equity instrument valued using the market approach, we inquired from the external appraiser the basis of the adjustments made to the sales price. We involved our internal specialist in the review of the methodology and assumptions used in the valuation of unquoted equity investment valued using earnings-based approach. The key assumption used is the discount rate. We tested the parameters used in the determination of the discount rate against market data. We compared the fair value of the investment in against a range of values determined using earnings-based approach. We also reviewed the Group's disclosures about those assumptions to which the outcome of the valuation is most sensitive; specifically, those that have the most significant effect on the determination of the fair value of the unquoted equity investments.

Accounting for the merger of iPeople, inc. (IPO) and Ayala Education, Inc. and assessment of the nature of the control exercise over IPO with regard to PFRS 10, Consolidated Financial Staements

On April 24, 2019, the Securities and Exchange Commission (SEC) approved the merger between IPO and AC Education Inc. (AEI), with IPO as the surviving entity, and to take effect five business working days thereafter or May 2, 2019. On the said date, IPO issued 295,329,976 common shares from its unissued capital stock for a total fair value of ₱3,591.2 million to Ayala Corporation (AC), the parent company of AEI. After the merger, IPO became 48.18% owned by the Parent Company and 33.5% owned by AC. Based on the Parent Company's assessment, it has met the qualifications sufficient to give it de facto control over IPO even though it holds less than 50% of the voting rights.

This was accounted for as a business combination under PFRS 3, *Business Combinations*, which required the identification of the acquired assets and liabilities of AEI and the determination of their fair values. The Group used the fair values of the identified net assets totaling ₱3,577.7 million and recognized goodwill for the residual amount of ₱13.5 million. The identification of the acquired assets and liabilities and the determination of their fair values involved the use of judgement and estimates. Further, the valuation of the acquired intangible assets required the use of assumptions such as revenue from number of forecasted students and related tuition and other matriculation fees, long-term growth rate, royalty rates and discount rate.

We also consider the assessment of whether there is de facto control within the meaning of PFRS 10, as a key audit matter, due to the significant impact of IPO's accounts in the consolidated financial position and results of operations as at and for the year ended December 31, 2019.

Refer to Notes 5 and 15 to the consolidated financial statements for the detailed disclosures.

Audit response

We reviewed the Merger Agreement between IPO and AEI, and the management's identification of AEI's assets and liabilities. We reviewed the purchase price allocation prepared by the Group's external specialist. We considered management's use of external specialist in relation to the determination of the fair value of property and equipment and intangible assets acquired. We evaluated the external specialists' competence, capabilities and objectivity. With the involvement of our internal specialist, we reviewed the methodology and assumptions used in the determination of fair values of AEI's property and equipment and intangible assets. For property and equipment, we compared the relevant information supporting the sales price of similar properties and the adjusments made to the sales price against real estate industry data and made inquiries to the external appraisers as to the basis. For the intangible assets, we evaluated the relevant information supporting the forecasted revenue from number of forecasted students and related tuition and other matriculation fees, long-term growth rate, royalty rates and discount rate. We also tested the parameters used in the determination of the discount rate against market data. We likewise reviewed the disclosures in the notes to the consolidated financial statements.

We obtained the documentation prepared by the Parent Company and analyses performed by management. We reviewed management's basis and application of PFRS 10. We analyzed the arguments of management as well as the de facto elements observed, in particular the following elements taken as a whole: the shareholder structure of IPO, the methods of governance, the percentage of votes cast at shareholders' meeting and the nature of the relationships established between the Parent Company and IPO.

Valuation of Land classified as Property and Equipment

The Group accounts for its land, where the school buildings and other facilities are located, using the revaluation model. As of December 31, 2019, the carrying value of the Group's land amounted to ₱9,185.92 million, representing 18% of the Group's total consolidated assets. In addition, the Group recognized a revaluation gain of ₱124.41 million in other comprehensive income for the year ended December 31, 2019.

The valuation of the land requires the assistance of an external appraiser whose calculations involve certain assumptions, such as sales price of similar properties and adjustments to sales price based on internal and external factors. This matter is significant to our audit because it involves significant judgment and estimates.

Refer to Note 4 to the consolidated financial statements for the relevant accounting policy and Note 13 for the disclosure about the Group's land.

Audit response

We involved our internal specialist in the review of the scope, bases, methodology and results of the work by the Group's external appraiser whose professional qualifications and objectivity were also taken into consideration. We compared the relevant information supporting the sales price of similar properties and the adjustments made to the sales price against real estate industry data and made inquiries to the external appraiser as to the basis. We also reviewed the Group's disclosures with respect to the fair value of the land.

Recoverability of Nonfinancial Assets

Under PFRSs, the Group is required to annually test for impairment the nonfinancial assets such as the the goodwill attributable to the acquisition of Malayan Education System, Inc. amounting to ₱137.85 million and intellectual proprrty rights with infinite life amounting to ₱523.10 million. As of December 31, 2019, the aggregate amount of these assets of ₱660.95 million is considered significant to the consolidated financial statements. In addition, management's assessment process involves judgments and is based on assumptions such as forecasted revenue, profit margins, long-term growth rate and discount rate in estimating discounted cash flow projections.

The Group's disclosures about nonfinancial assets are included in Notes 4, 15 and 17 to the consolidated financial statements.

We obtained an understanding of the Group's impairment model and the assumptions on the key business drivers of the cash flow forecasts such as the revenue from number of forecasted students and related tuition and other matriculation fees. We checked if the Group has considered the impact of the K to 12 Basic Education Program implementation on these key assumptions and also compared them against historical performance. We involved our internal specialist to assist us in evaluating the methodology and assumptions used. We compared the long-term growth rates and royalty rates against relevant publish market information. We tested the parameters used in the determination of discount rates against market data. In addition, we reviewed the Group's disclosures about those assumptions to which the outcome of the impairment tests are most sensitive, that is, those that have the most significant effect on the determination of the recoverable amount of these assets.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2019, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2019 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Wenda Lynn M. Loyola.

SYCIP GORRES VELAYO & CO.

Wenda Lynn M. Loyola

Wenda Lynn M. Loyola
Partner
CPA Certificate No. 109952
SEC Accreditation No. 1540-AR-1 (Group A),
January 10, 2019, valid until January 9, 2022
Tax Identification No. 242-019-387
BIR Accreditation No. 08-001998-117-2019,
January 28, 2019, valid until January 27, 2022
PTR No. 8125250, January 7, 2020, Makati City

May 22, 2020

HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2019	2018
ASSETS		
Current Assets		
Cash and cash equivalents (Note 6)	**₱2,686,669,074**	₱2,039,664,825
Receivables (Note 7)	**6,246,486,725**	4,780,021,190
Contract assets (Note 8)	**9,483,493,604**	4,966,434,784
Inventories (Note 9)	**2,362,277,465**	2,694,172,298
Receivables from related parties (Note 22)	**71,235,301**	145,966,212
Prepaid expenses and other current assets (Note 10)	**1,982,854,200**	1,464,970,619
Total Current Assets	**22,833,016,369**	16,091,229,928
Noncurrent Assets		
Equity investments at fair value through other comprehensive income (FVOCI) (Note 11)	**1,147,773,806**	974,709,294
Investments in associates and joint ventures (Note 12)	**6,193,051,356**	5,505,955,000
Property and equipment (Note 13)		
At revalued amount	**9,185,924,384**	7,023,425,494
At cost	**8,808,917,553**	7,531,418,455
Right-of-use assets (Note 14)	**1,605,726,653**	–
Investment properties (Note 16)	**17,689,018**	18,157,018
Goodwill (Note 15)	**484,829,719**	471,357,459
Retirement assets (Note 32)	**18,289,597**	28,059,472
Deferred tax assets - net (Note 33)	**195,020,389**	139,503,935
Other noncurrent assets - net (Note 17)	**1,505,524,395**	1,817,267,027
Total Noncurrent Assets	**29,162,746,870**	23,509,853,154
Total Assets	**₱51,995,763,239**	₱39,601,083,082
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Note 18)	**₱8,421,912,038**	₱6,794,791,483
Loans payable (Note 19)	**8,393,800,000**	10,519,000,000
Current portion of long-term debt (Note 20)	**1,385,714,285**	774,603,175
Due to related parties (Note 22)	**126,417,175**	134,849,411
Current portion of contract liabilities (Note 8)	**1,684,537,514**	314,947,490
Current portion of lease liabilities (Note 14)	**215,416,367**	–
Income tax payable (Note 33)	**74,755,176**	42,310,920
Total Current Liabilities	**20,302,552,555**	18,580,502,479
Noncurrent Liabilities		
Long-term debt - net of current portion (Note 20)	**3,305,974,841**	2,020,634,921
Contract liabilities - net of current portion (Note 8)	**1,820,243,384**	–
Lease liabilities - net of current portion (Note 14)	**1,323,247,962**	–
Retirement liabilities (Note 32)	**457,836,487**	141,017,371
Deferred tax liabilities - net (Note 33)	**1,023,530,274**	544,975,039
Other noncurrent liabilities	**268,665,644**	142,164,037
Total Noncurrent Liabilities	**8,199,498,592**	2,848,791,368
Total Liabilities	**28,502,051,147**	21,429,293,847

(Forward)

	December 31	
	2019	2018
Equity		
Attributable to equity holders of the Parent Company		
Preferred stock (Note 39)	**₱6,710,402**	₱247,414,156
Common stock (Note 39)	**1,162,540,326**	921,836,572
Additional paid-in capital	**154,578,328**	154,578,328
Equity reserve on acquisition of non-controlling interest (Note 36)	**1,641,756,492**	(179,954,180)
Revaluation increment on land - net (Note 13)	**1,298,881,074**	1,602,230,727
Cumulative translation adjustments	**245,958,913**	249,703,345
Fair value reserve of equity investments at FVOCI (Note 11)	**311,094,152**	259,855,707
Remeasurement loss on retirement (Note 32)	**(188,329,963)**	(27,924,073)
Retained earnings (Note 40)	**10,111,285,659**	9,198,512,458
	14,744,475,383	12,426,253,040
Non-controlling interests (Note 36)	**8,749,236,709**	5,745,536,195
Total Equity	**23,493,712,092**	18,171,789,235
	₱51,995,763,239	₱39,601,083,082

See accompanying Notes to Consolidated Financial Statements.

HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31		
	2019	2018	2017
REVENUE (Note 23)	**₱34,129,841,303**	₱32,346,342,322	₱27,548,143,708
COSTS OF SALES AND SERVICES (Note 25)	**29,374,547,818**	28,052,537,041	24,303,452,648
GROSS PROFIT	**4,755,293,485**	4,293,805,281	3,244,691,060
GENERAL AND ADMINISTRATIVE EXPENSES (Note 29)	**(2,818,964,302)**	(2,651,245,784)	(2,319,954,488)
EQUITY IN NET EARNINGS OF ASSOCIATES AND JOINT VENTURES (Note 12)	**727,820,626**	255,783,370	289,372,254
INTEREST AND FINANCE CHARGES (Notes 19, 20, 22, 24 and 31)	**(780,610,257)**	(455,751,589)	(276,067,989)
OTHER INCOME - Net (Note 24)	**225,287,334**	219,968,414	920,939,339
INCOME BEFORE INCOME TAX	**2,108,826,886**	1,662,559,692	1,858,980,176
PROVISION FOR INCOME TAX (Note 33)			
Current	**429,672,494**	485,226,256	388,854,133
Deferred	**29,704,330**	13,050,924	7,057,293
	459,376,824	498,277,180	395,911,426
NET INCOME	**₱1,649,450,062**	₱1,164,282,512	₱1,463,068,750
Net income attributable to:			
Equity holders of the Parent Company	**₱974,033,430**	₱848,267,992	₱941,441,126
Non-controlling interests	**675,416,632**	316,014,520	521,627,624
	₱1,649,450,062	₱1,164,282,512	₱1,463,068,750
EARNINGS PER SHARE (Note 34)			
BASIC	**₱1.2244**	₱1.3369	₱1.4909
DILUTED	**₱1.2244**	₱1.0862	₱1.1990

See accompanying Notes to Consolidated Financial Statements.

HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2019	2018	2017
NET INCOME	**₱1,649,450,062**	₱1,164,282,512	₱1,463,068,750
OTHER COMPREHENSIVE INCOME			
Items to be reclassified to profit or loss in subsequent periods:			
Share in other comprehensive income (loss) of an associate (Note 12)	**(8,684,333)**	7,750,939	67,023,747
Cumulative translation adjustments	**(95,749,469)**	229,125,040	(4,640,619)
Net unrealized gain on available-for-sale (AFS) financial assets (Note 11)	**–**	–	10,704,379
Items not to be reclassified to profit or loss in subsequent periods:			
Changes in fair value of equity investments carried at FVOCI (Note 11)	**110,696,848**	(7,435,251)	–
Revaluation increment on land (Note 13)	**124,414,373**	470,581,594	405,825,900
Share in other comprehensive income of the associates (Note 12)	**–**	–	(3,377,562)
Remeasurement gain (loss) on net retirement (Note 32)	**(317,906,260)**	48,180,540	(2,400,238)
Income tax effect relating to items that will not be reclassified	**34,004,702**	(124,153,319)	(60,324,543)
	(153,224,139)	624,049,543	412,811,064
TOTAL COMPREHENSIVE INCOME	**₱1,496,225,923**	₱1,788,332,055	₱1,875,879,814
Total comprehensive income attributable to:			
Equity holders of the Parent Company	**₱861,192,841**	₱1,128,371,055	₱1,234,329,122
Non-controlling interests	**635,033,082**	659,961,000	641,550,692
	₱1,496,225,923	₱1,788,332,055	₱1,875,879,814

See accompanying Notes to Consolidated Financial Statements.

HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017

	Attributable to Equity Holders of the Parent Company													
	Capital stock (Note 39)									**Retained earnings**				
	Preferred stock	**Common stock**	**Additional paid-in capital**	**Equity reserve on acquisition of non-controlling interest**	**Revaluation increment on land - net** (Note 13)	**Cumulative translation adjustments** (Notes 11 and 41)	**Net unrealized gain on AFS financial assets** (Note 11)	**Fair Value reserve of equity investments at FVOCI** (Note 11)	**Remeasurement loss on retirement** (Note 32)	**Unappropriated** (Note 40)	**Appropriated** (Note 40)	**Subtotal**	**Non-controlling interests** (Note 36)	**Total**
BALANCES AT JANUARY 1, 2017	**₱280,802,820**	**₱921,836,572**	**₱154,578,328**	**(₱179,954,180)**	**₱1,106,401,670**	**₱159,864,897**	**₱79,859,050**	**–**	**(₱2,832,302)**	**₱7,529,255,996**	**₱200,000**	**₱10,050,012,851**	**₱4,555,875,042**	**₱14,605,887,893**
Net income	–	–	–	–	–	–	–	–	–	941,441,126	–	941,441,126	521,627,624	1,463,068,750
Other comprehensive income	–	–	–	–	223,328,578	64,501,105	7,326,409	–	(2,268,096)	–	–	292,887,996	119,923,068	412,811,064
Total comprehensive income	–	–	–	–	223,328,578	64,501,105	7,326,409	–	(2,268,096)	941,441,126	–	1,234,329,122	641,550,692	1,875,879,814
Redemption of preferred stock	(27,044,711)	–	–	–	–	–	–	–	–	–	–	(27,044,711)	–	(27,044,711)
Changes of non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	20,000,000	20,000,000
Appropriation of retained earnings	–	–	–	–	–	–	–	–	–	(400,000)	400,000	–	–	–
Dividend declaration	–	–	–	–	–	–	–	–	–	(63,068,621)	–	(63,068,621)	(60,230,793)	(123,299,414)
BALANCES AT DECEMBER 31, 2017	**₱253,758,109**	**₱921,836,572**	**₱154,578,328**	**(₱179,954,180)**	**₱1,329,730,248**	**₱224,366,002**	**₱87,185,459**	**–**	**(₱5,100,398)**	**₱8,407,228,501**	**₱600,000**	**₱11,194,228,641**	**₱5,157,194,941**	**₱16,351,423,582**
Impact of adoption of PFRS 9 and 15	–	–	–	–	–	–	(87,185,459)	254,766,791	–	7,188,651	–	174,769,983	–	174,769,983
BALANCES AT JANUARY 1, 2018	**₱253,758,109**	**₱921,836,572**	**₱154,578,328**	**(₱179,954,180)**	**₱1,329,730,248**	**₱224,366,002**	**–**	**₱254,766,791**	**(₱5,100,398)**	₱8,414,417,152	**₱600,000**	₱11,368,998,624	**₱5,157,194,941**	**₱16,526,193,565**
Net income	–	–	–	–	–	–	–	–	–	848,267,992	–	848,267,992	316,014,520	1,164,282,512
Other comprehensive income	–	–	–	–	272,500,479	25,337,343	–	5,088,916	(22,823,675)	–	–	280,103,063	343,946,480	624,049,543
Total comprehensive income	–	–	–	–	272,500,479	25,337,343	–	5,088,916	(22,823,675)	848,267,992	–	1,128,371,055	659,961,000	1,788,332,055
Redemption of preferred stock	(6,343,953)	–	–	–	–	–	–	–	–	–	–	(6,343,953)	–	(6,343,953)
Reversal of appropriated retained earnings	–	–	–	–	–	–	–	–	–	600,000	(600,000)	–	–	–
Appropriation of retained earnings	–	–	–	–	–	–	–	–	–	(6,105,300,000)	6,105,300,000	–	–	–
Dividend declaration	–	–	–	–	–	–	–	–	–	(64,772,686)	–	(64,772,686)	(71,619,746)	(136,392,432)
BALANCES AT DECEMBER 31, 2018	**₱247,414,156**	**₱921,836,572**	**₱154,578,328**	**(₱179,954,180)**	**₱1,602,230,727**	**₱249,703,345**	**₱–**	**₱259,855,707**	**(₱27,924,073)**	**₱3,093,212,458**	**₱6,105,300,000**	**₱12,426,253,040**	**₱5,745,536,195**	**₱18,171,789,235**
Net income	–	–	–	–	–	–	–	–	–	974,033,430	–	974,033,430	675,416,632	1,649,450,062
Other comprehensive income	–	–	–	–	(4,360,837)	(4,702,267)	–	49,199,478	(152,976,963)	–	–	(112,840,589)	(40,383,550)	(153,224,139)
Total comprehensive income	–	–	–	–	(4,360,837)	(4,702,267)	–	49,199,478	(152,976,963)	974,033,430	–	861,192,841	635,033,082	1,496,225,923
Conversion of preferred to common stock	(240,703,754)	240,703,754	–	–	–	–	–	–	–	–	–	–	–	–
Reversal of appropriated retained earnings	–	–	–	–	–	–	–	–	–	5,300,000	(5,300,000)	–	–	–
Appropriation of retained earnings	–	–	–	–	–	–	–	–	–	(405,355,000)	405,355,000	–	–	–
Acquisition and disposal of subsidiary	–	–	–	–	–	–	–	–	(355,202)	2,081,876	–	1,726,673	(12,108,346)	(10,381,672)
Changes in non-controlling interest	–	–	–	1,821,710,672	(298,988,816)	957,835	–	2,038,967	(7,035,725)	–	–	1,518,644,933	2,505,603,852	4,024,248,785
Dividend declaration	–	–	–	–	–	–	–	–	–	(63,342,105)	–	(63,342,105)	(124,828,074)	(188,170,179)
BALANCES AT DECEMBER 31, 2019	**₱6,710,402**	**₱1,162,540,326**	**₱154,578,328**	**₱1,641,756,492**	**₱1,298,881,074**	**₱245,958,913**	**₱–**	**₱311,094,152**	**(₱188,329,963)**	**₱3,605,930,659**	**₱6,505,355,000**	**₱14,744,475,383**	**₱8,749,236,709**	**₱23,493,712,092**

See accompanying Notes to Consolidated Financial Statements.

HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱2,108,826,886**	₱1,662,559,692	₱1,858,980,176
Adjustments for:			
Depreciation and amortization (Notes 13, 14, 16 and 30)	**1,366,140,404**	990,169,507	923,058,850
Interest and finance charges (Notes 19, 20, 22, and 31)	**780,610,257**	455,751,589	276,067,989
Movements in net retirement liabilities	**326,588,991**	(39,709,903)	(5,790,386)
Unrealized foreign exchange loss (gain)	**38,607,477**	(44,861,160)	(932,596)
Provision for (gain on reversal) of impairment loss on investment properties	**–**	1,800,309	(14,182,841)
Loss on write-off of an investment	**–**	58,218	–
Market gain on financial asset at fair value through profit or loss (FVPL)	**(650,289)**	(237,925)	(122,177)
Dividend income (Notes 4 and 24)	**(54,808,659)**	(954,613)	(1,851,934)
Interest income (Note 24)	**(60,989,962)**	(50,382,962)	(71,659,747)
Gain on sale of:			
Investment properties (Note 16 and 24)	**(409,952)**	(5,534,890)	(279,071,868)
Property and equipment (Notes 13 and 24)	**(101,530,669)**	(16,966,241)	(8,813,780)
AFS financial assets (Notes 11 and 24)	**–**	–	(58,680,807)
Equity in net earnings of associates and joint venture (Note 12)	**(727,820,626)**	(255,783,370)	(289,372,254)
Operating income working capital changes	**3,674,563,858**	2,695,908,251	2,327,628,625
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Receivables	**1,115,872,772**	4,416,078,195	(1,205,505,232)
Contract assets	**(4,517,058,820)**	(5,691,810,971)	–
Costs and estimated earnings in excess of billings on uncompleted contracts	**–**	–	446,832,915
Inventories	**331,894,833**	(1,568,407,114)	449,199,649
Receivables from related parties	**74,730,911**	3,963,793	(100,660,804)
Prepaid expenses and other current assets	**(329,011,292)**	881,044	(342,671,078)
Increase (decrease) in:			
Accounts payable and other current liabilities	**1,617,078,355**	1,273,162,720	(721,706,117)
Due to related parties	**(8,432,236)**	(36,669,306)	2,172,337
Contract liabilities	**3,189,833,408**	209,301,128	–
Billings in excess of costs and estimated earnings on uncompleted contracts	**–**	–	(537,153,534)
Customers' deposits	**–**	–	1,572,572
Unearned tuition fees	**–**	–	36,118,312
Other noncurrent liabilities	**351,354,972**	–	–
Other noncurrent assets	**313,316,724**	(922,345,269)	–
Net cash generated from operations	**5,814,143,485**	380,062,471	355,827,645
Interest received	**60,989,962**	50,112,827	71,659,747
Interest and finance charges paid	**(765,077,674)**	(412,440,353)	(275,231,879)
Income tax paid	**(397,585,443)**	(566,863,820)	(405,705,362)
Net cash flows provided by (used in) operating activities	**4,712,470,330**	(549,128,875)	(253,449,849)

(Forward)

	Years Ended December 31		
	2019	2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Property and equipment (Note 13)	**(₱4,969,429,584)**	(₱1,775,895,109)	(₱2,688,689,420)
Investments in associates and joint ventures (Note 12)	**(261,944,096)**	(508,135,581)	–
Equity investments at FVOCI (Note 11)	**(79,849,592)**	(22,877,652)	–
Computer software (Note 17)	**(8,195,665)**	(7,670,451)	–
Investment property (Note 16)	**–**	(3,250,000)	–
AFS financial assets (Note 11)	**–**	–	(20,865,766)
Proceeds from sale of:			
Property and equipment (Note 13)	**642,741,320**	13,695,944	31,379,487
Equity investments at FVOCI (Note 11)	**17,481,928**	–	–
Investment properties (Note 16)	**450,500**	154,877,235	137,684,592
AFS financial assets (Note 11)	**–**	–	162,750,000
Dividends received	**25,141,851**	49,006,541	41,259,930
Deposit for future stock subscription (Note 17)	**–**	(80,999,919)	–
Advances extended to an associate	**–**	–	(794,208,366)
Net cash flows used in investing activities	**(4,633,603,338)**	(2,181,248,992)	(3,130,689,543)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Loans payable (Note 19)	**15,760,000,000**	17,624,000,000	13,127,000,000
Long-term debt (Note 20)	**2,862,403,404**	1,815,476,193	–
Changes in non-controlling interests (Note 36)	**1,291,500,000**	–	20,000,000
Payments of:			
Loans payable (Note 19)	**(17,885,200,000)**	(14,790,000,000)	(9,542,000,000)
Long-term debt (Note 20)	**(965,952,374)**	(1,703,608,061)	(494,446,885)
Lease liabilities (Note 14)	**(420,761,700)**	–	–
Cash dividends paid (Note 39)	**(67,705,370)**	(142,094,297)	(121,558,238)
Redemption of preferred shares (Note 39)	**–**	(6,343,953)	(127,044,711)
Net cash flows provided by financing activities	**574,283,960**	2,797,429,882	2,961,950,166
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(6,146,703)**	5,114,385	(3,513,570)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**647,004,249**	72,166,400	(425,702,796)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**2,039,664,825**	1,967,498,425	2,393,201,221
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	**₱2,686,669,074**	₱2,039,664,825	₱1,967,498,425

See accompanying Notes to Consolidated Financial Statements.

HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. **Corporate Information**

House of Investments, Inc. (the Parent Company) is a stock corporation incorporated under the laws of the Republic of the Philippines on May 21, 1959.

The Parent Company and its subsidiaries (collectively known as the Group) are primarily engaged in car dealership, construction, education, afterlife services, consumer finance, property management, project management, security and pharmaceuticals.

The Parent Company's common stock was listed with the Philippine Stock Exchange (PSE) on July 2, 1962, the Parent Company's initial public offering. The Parent Company's shares of stock are currently traded at the PSE. The ultimate parent company of the Group is Pan Malayan Management and Investment Corporation (PMMIC), a domestic corporation.

The registered office address and principal place of business of the Parent Company is at 3rd Floor, Grepalife Building, 219 Sen. Gil J. Puyat Avenue, Makati City, Metro Manila. On March 30, 2020, the Board of Directors (BOD) approved its amended Articles of Incorporation to change its registered office address to its current address from 3rd Floor, Grepalife Building, 219 Sen. Gil J. Puyat Avenue, Makati City, Metro Manila to 9th Floor, Grepalife Building, 221 Sen. Gil J. Puyat Avenue, Makati City, Metro Manila. As of the auditor's report date, the stockholders have not yet approved the amended Articles of Incorporation.

Authorization of the Issuance of the Consolidated Financial Statements
The accompanying consolidated financial statements were authorized for issue in accordance with a resolution of the BOD on May 22, 2020.

2. **Basis of Preparation and Statement of Compliance**

Basis of Preparation
The consolidated financial statements of the Group have been prepared under the historical cost basis, except for land, which is carried at revalued amount and financial assets at FVPL, included as part of "Prepaid expenses and other current assets," and FVOCI which are measured at fair value. The accompanying consolidated financial statements are presented in Philippine Peso (Php, ₱), which is also the Parent Company's functional currency. Except as indicated, all amounts are rounded off to the nearest peso.

Statement of Compliance
The consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs).

Basis of Consolidation

The consolidated financial statement include the Parent Company and the following companies that it controls:

	Place of Incorporation	Nature of Business	Functional Currency	Percentage of Ownership 2019 Direct	2019 Indirect	2018 Direct	2018 Indirect
Investment Managers, Inc. (IMI)	Philippines	Insurance agent, financing, trading and real estate	Philippine Peso	**100.00**	**–**	100.00	–
Landev Corporation	Philippines	Property management	Philippine Peso	**100.00**	**–**	100.00	–
Xamdu Motors, Inc. (XMI)	Philippines	Car dealership	Philippine Peso	**100.00**	**–**	100.00	–
Zamboanga Carriers, Inc. (ZCI)	Philippines	Transportation	Philippine Peso	**100.00**	**–**	100.00	–
Zambowood Realty and Development Corporation (ZRDC)	Philippines	Real estate	Philippine Peso	**100.00**	**–**	100.00	–
Greyhounds Security and Investigation Agency Corp.	Philippines	Security agency	Philippine Peso	**–**	**100.00**	–	100.00
Hexagon Lounge, Inc.	Philippines	Restaurant	Philippine Peso	**–**	**100.00**	–	100.00
Secon Professional Security Training Academy Inc.	Philippines	Training service provider	Philippine Peso	**–**	**100.00**	–	100.00
Honda Cars Kalookan, Inc. (HCKI)	Philippines	Car dealership	Philippine Peso	**55.00**	**–**	55.00	–
La Funeraria Paz Sucat, Inc. (LFPSI)[a]	Philippines	Memorial services	Philippine Peso	**50.00**	**13.00**	–	–
Zamboanga Industrial Finance Corporation (ZIFC)[b]	Philippines	Consumer finance	Philippine Peso	**–**	**–**	50.00	–
EEI Corporation (EEI)[c]	Philippines	Construction	Philippine Peso	**54.65**	**–**	54.36	–
Bagumbayan Equipment & Industrial Products, Inc.	Philippines	Consultancy services	Philippine Peso	**–**	**100.00**	–	100.00
Clear Jewel Investments, Ltd.	British Virgin Islands	Holding company	US Dollar	**–**	**100.00**	–	100.00
EEI Limited	British Virgin Islands	Holding company	US Dollar	**–**	**100.00**	–	100.00
EEI (PNG), Ltd	Papua New Guinea	Holding company	US Dollar	**–**	**100.00**	–	100.00
EEI Corporation (Guam), Inc.	United States of America	Construction	US Dollar	**–**	**100.00**	–	100.00
EEI Construction and Marine, Inc.	Philippines	Construction	Philippine Peso	**–**	**100.00**	–	100.00
EEI Realty Corporation (EEI Realty)	Philippines	Real estate	Philippine Peso	**–**	**100.00**	–	100.00
EEI Subic Corporation	Philippines	Construction	Philippine Peso	**–**	**100.00**	–	100.00
Equipment Engineers, Inc. (EE)	Philippines	Construction	Philippine Peso	**–**	**100.00**	–	100.00
EEI Power Corporation (EPC)	Philippines	Power generation	Philippine Peso	**–**	**100.00**	–	100.00
Gulf Asia International Corporation (GAIC)	Philippines	Manpower services	Philippine Peso	**–**	**100.00**	–	100.00
GAIC Professional Services, Inc. (GAPSI)	Philippines	Manpower services	Philippine Peso	**–**	**100.00**	–	100.00
GAIC Manpower Services, Inc. (GAMSI)	Philippines	Manpower services	Philippine Peso	**–**	**100.00**	–	100.00
Nimaridge Investments, Limited	British Virgin Islands	Holding company	US Dollar	**–**	**100.00**	–	100.00
Philmark, Inc.	Philippines	Construction	Philippine Peso	**–**	**100.00**	–	100.00
Philrock Construction and Services, Inc.	Philippines	Manpower services	Philippine Peso	**–**	**100.00**	–	100.00
JP Systems Asia Inc. (JPSAI)	Philippines	Rental of scaffolding and formworks	Philippine Peso	**–**	**60.00**	–	60.00
BiotechJP Corporation[d]	Philippines	Manufacturing food and therapeutic food	Philippine Peso	**–**	**60.00**	–	–
Learn JP Corp[e]	Philippines	Service for improvement in language proficiency	Philippine Peso	**–** -	**60.00**	**–**	**–**
Shinbayanihan Heavy Equipment Corp.[f]	Philippines	Rental of construction equipment	Philippine Peso	**–**	**40.00**	–	–
iPeople, inc. (IPO)[g]	Philippines	Education and Information Technology	Philippine Peso	**48.18**	**–**	67.34	–
Malayan Education System, Inc. (MESI) (formerly Malayan Colleges, Inc.)[h]	Philippines	Education and Information Technology	Philippine Peso	**–**	**100.00**	7.00	93.00
Mapua Information Technology Center, Inc. (MITC)	Philippines	Education and Information Technology	Philippine Peso	**–**	**100.00**	–	100.00
Mapua Techserv, Inc. (MTI)	Philippines	Consultancy	Philippine Peso	**–**	**100.00**	–	100.00
San Lorenzo Ruiz Investment Holdings and Services Inc. (formerly San Lorenzo Ruiz Institute of Health Sciences, Inc.) (SLRHSI)	Philippines	Education and Information Technology	Philippine Peso	**–**	**100.00**	–	100.00
Malayan High School of Science, Inc. (MHSSI)	Philippines	Education and Information Technology	Philippine Peso	**–**	**100.00**	–	100.00
Malayan Colleges Laguna, Inc. (MCLI)	Philippines	Education and Information Technology	Philippine Peso	**–**	**100.00**	–	100.00
Malayan Colleges Mindanao, Inc. (MCMI)	Philippines	Education and Information Technology	Philippine Peso	**–**	**100.00**	–	100.00
Mapua Techpower, Inc.	Philippines	Consultancy	Philippine Peso	**–**	**75.00**	–	75.00

(Forward)

	Place of Incorporation	Nature of Business	Functional Currency	Percentage of Ownership 2019 Direct	Indirect	2018 Direct	Indirect
Affordable Private Education Center, Inc (APEC) (i)	Philippines	Education and Information Technology	Philippine Peso	–	**100.00**	–	–
AC College of Enterprise and Technology, Inc(i)	Philippines	Education and Information Technology	Philippine Peso	–	**100.00**	–	–
LINC Institite, Inc(i)	Philippines	Education and Information Technology	Philippine Peso	–	**100.00**	–	–
People eServe Corporation	Philippines	Education and Information Technology	Philippine Peso	–	**100.00**	–	–
Pan Pacific Computer Center, Incorporated (PPCCI)(j)	Philippines	Education and Information Technology	Philippine Peso	–	**100.00**	–	–
National Teachers College(i)	Philippines	Education and Information Technology	Philippine Peso	–	**99.79**	–	–
University of Nueva Caceres(i)	Philippines	Education and Information Technology	Philippine Peso	–	**83.62**	–	–

(a) Consolidated starting March 2019
(b) Sold in July 2019
(c) Purchased additional shares in November 2019
(d) Consolidated starting September 2019
(e) Consolidated starting December 2019
(f) Consolidated starting July 2019
(g) Effective last May 2019 due to merger of IPO and Ayala Education Inc. (AEI) (Note 5)
(h) Sold to IPO in May 2019
(i) Acquired in May 2019 through business combination
(j) Ceased operation in July 2017

The consolidated financial statements are prepared for the same reporting year as the Parent Company, using consistent accounting policies. All significant intercompany balances and transactions, including income, expenses and dividends, are eliminated in full. Profits and losses resulting from intercompany transactions that are recognized in assets are eliminated in full.

The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company, using consistent accounting policies.

Control is achieved when the Parent Company is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Parent Company controls an investee if and only if the Parent Company has:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

When the Parent Company has less than a majority of the voting or similar rights of an investee, the Parent Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Parent Company's voting rights and potential voting rights.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Parent Company obtains control, and continue to be consolidated until the date when such control ceases.

Non-controlling interest represents the portion of profit or loss and net assets not held by the Parent Company. Profit or loss and each component of other comprehensive income are attributed to the equity holders of the Parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

Losses within a subsidiary are attributed to the non-controlling interest until the balance is reduced to nil. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interests;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Reclassifies to profit or loss, or transfer directly to retained earnings if required by other PFRSs, the amounts recognized in other comprehensive income in relation to the subsidiary; and recognizes any resulting difference as a gain or loss in profit or loss attributable to the Parent Company

3. **Changes in Accounting Policies**

The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the following new accounting pronouncements starting January 1, 2019. Adoption of these pronouncements did not have any significant impact on the Group's financial position or performance unless otherwise indicated.

- PFRS 16, *Leases*

  PFRS 16 supersedes PAS 17, *Leases*, Philippine Interpretation IFRIC 4, *Determining whether an Arrangement contains a Lease*, Philippine Interpretation SIC-15, *Operating Leases-Incentives* and Philippine Interpretation SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases on the statement of financial position. The standard includes two recognition exemptions for lessees - leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

  Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

  Lessor accounting under PFRS 16 is substantially unchanged from PAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in PAS 17. Therefore, PFRS 16 did not have an impact for leases where the Group is the lessor.

  PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

The Group adopted PFRS 16 using the modified retrospective method of adoption with the date of initial application of January 1, 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application. The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at January 1, 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying PAS 17 and IFRIC 4 at the date of initial application.

Under the modified retrospective approach, a lessee will apply PFRS 16 with cumulative effect of initial application recognized in retained earnings or other component of equity, as appropriate, at date of initial application, and will not restate any comparative information. Under this approach, the Group recognizes a lease liability at date of initial application at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at date of initial application. At the same time, the Group recognizes a right-of-use (ROU) asset at date of initial application, measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the consolidated statement of financial position immediately before the date of initial application.

The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases') and lease contracts for which the underlying asset is of low value ('low-value leases').

The effect of adoption of PFRS 16 as at January 1, 2019 is, as follows:

Assets	Increase
Right-of-use assets (Note 14)	₱1,378,023,041
Total Assets	₱1,378,023,041
Liabilities	
Current portion of lease liabilities (Note 14)	₱245,915,345
Lease liabilities - net of current portion (Note 14)	1,190,214,802
Total Liabilities	₱1,436,130,147

Lease previously accounted for as an operating lease
The Group recognized right-of-use assets and lease liabilities for its lease previously classified as an operating lease. The right-of-use assets for its lease was recognized based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application

- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application

Operating lease commitments as at December 31, 2018	₱1,443,987,002
Weighted average incremental borrowing rate as at January 1, 2019	7.24%
Discounted operating lease commitments as at January 1, 2019	790,969,939
Less: Commitments relating to short-term leases and low-value	(25,919,076)
Add: Lease payments relating to renewal periods not included in operating lease commitments as at December 31, 2018	671,079,284
Lease liabilities as at January 1, 2019	₱1,436,130,147

Due to the adoption of PFRS 16, the Group's operating profit in 2019 improved, while its interest expense increased. This is due to the change in the accounting for rent expense related to leases that were classified as operating leases under PAS 17.

The adoption of PFRS 16 did not have an impact on equity in 2019, since the Group elected to measure the right-of-use assets at an amount equal to the lease liability , adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the statement of financial position immediately before the date of initial application. The Group's weighted average incremental borrowing rate applied to the lease liabilities recognized at the date of application. Any difference between the result of discounting the operating lease commitments reported under PAS 17 at the end of the annual reporting preceding the date of application and lease liabilities recognized on the statement of financial position immediately after posting the cumulative catch-up adjustment on the date of initial application.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*
  The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12, *Income Taxes*. It does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses the following:
  - Whether an entity considers uncertain tax treatments separately;
  - The assumptions an entity makes about the examination of tax treatments by taxation authorities;
  - How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates;
  - How an entity considers changes in facts and circumstances.

  An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The adoption of Philippine Interpretation IFRIC-23 did not have material impact on the financial statements.

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*
- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*
- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
- *Annual Improvements to PFRSs* 2015-2017 Cycle
  - Amendments to PFRS 3, *Business Combinations,* and PFRS 11, *Joint Arrangements*, *Previously Held Interest in a Joint Operation*

- Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*
- Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

<u>Standards Issued But Not Yet Effective</u>
Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements will have a significant impact on its financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2020

- Amendments to PFRS 3, *Definition of a Business*

  The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

  These amendments will apply on future business combinations of the Group.

- Amendments to PAS 1, *Presentation of Financial Statements,* and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

  The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*
  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects.

The core of PFRS 17 is the general model, supplemented by:

- o A specific adaptation for contracts with direct participation features (the variable fee approach)
- o A simplified approach (the premium allocation approach) mainly for short-duration contracts

PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted.

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

  On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

4. Summary of Significant Accounting Policies

Leases - *Group as a lessee*, Effective starting January 1, 2019

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee
The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets
The Group recognizes right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date ease incentives received.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives (EUL) of the assets, as follows:

	Years
Land	5 to 66
Building	2 to 10

Right-of-use assets are subject to impairment. Refer to the accounting policies in section impairment of non-financial assets.

Lease liabilities
At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

Lease liabilities that are expected to be settled for no more than 12 months after reporting period are classified as current liabilities presented as current portion of lease liabilities. Otherwise, these are classified as noncurrent liabilities.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the leases of low-value assets recognition exemption to leases of property and equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Group as a lessor
Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Leases - *Company as a lessee*, Prior to January 1, 2019

Operating Leases
Operating leases represent those leases under which substantially all risks and rewards of ownership of the leased assets remain with the lessors. Lease receipts (payments) under operating lease agreements are recognized as income (expense) on a straight-line basis over the term of the lease.

Revenue Recognition Effective starting January 1, 2018

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.

Revenue from construction contracts
The Group assessed that there is only one performance obligation for each construction agreement that it has entered and that revenue arising from such agreements qualify for recognition over time because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced by applying par. 35(b) of PFRS 15. Control of an asset refers to the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset. The customer, having the ability to specify the design (or any changes thereof) of the asset, controls the asset as it is being constructed. Furthermore, the Group builds the asset on the customer's land (or property controlled by the customer), hence, the customer generally controls any work in progress arising from the Group's performance. The Group also recognized as part of its construction revenue, the effects of variable considerations arising from various change orders and claims, to the extent that they reflect the amounts the Group expects to be entitled to and to be received from the customers, provided that it is highly probable that a significant reversal of the revenue recognized in connection with these variable considerations will not occur in the future. For unpriced change orders and claims, the Group uses the "most likely amount" method to predict the amounts the Group expects to be entitled to and to be received from the customers.

The Group elected to use the input method to measure the progress of the fulfilment of its performance obligation, which is based on the actual costs incurred to date relative to the total estimated cost to complete the construction projects because there is a direct relationship between the Group's effort (i.e., costs incurred) and the transfer of service to the customer. The Group excludes the effect of any costs incurred that do not contribute to the Group's performance in transferring control of goods or services to the customer (such as unexpected amounts of wasted materials, labor or other resources) and adjusts the input method for any costs incurred that are not proportionate to the Group's progress in satisfying the performance obligation (such as uninstalled materials).

Revenue from sale of goods
Revenue from sale of goods is recognized at a point in time when control of the asset is transferred to the customer, generally on delivery and acceptance of the inventory item.

Revenue from tuition and other related fees
Revenue from tuition fees and other matriculation fees are recognized over time as revenue over the corresponding school term using the output method (i.e., time lapsed over the service period such as semester or school year, depending on the curriculum registered). Upon enrollment, students have the option to pay the tuition and other matriculation fees in full or installment.

Admission, examination and other fees are recognized as income when examination has been granted by the school and related services have been provided to the students (at point in time).

Revenue from power generation
The Group's power supply agreement with its customer requires the Group to deliver certain units of electricity (in kWh) to the customer per month. As delivery of electricity constitutes a series of distinct good or services that are substantially the same and have the same pattern of transfer to the customer (i.e., the good or service would be recognized over time using the same measure of progress), this was treated by the Group as a single performance obligation. Because electricity is simultaneously provided and consumed, the Group's performance obligation to deliver electricity qualifies for revenue recognition over time by applying par. 35(a) of PFRS 15. The Group recognizes revenue from power generation by applying the "right to invoice" practical expedient since the Group's right to payment is for an amount that corresponds directly with the value to the customer of the Group's performance to date.

Revenue from manpower services
Under the Group's service agreements with its customers, the Group is required to provide manpower services (including but not limited to janitorial, messengerial and other allied services). As provision of these services constitutes a series of distinct good or services that are substantially the same and have the same pattern of transfer to the customer (i.e., the good or service would be recognized over time using the same measure of progress), this was treated by the Group as a single performance obligation. Because the services are simultaneously provided and consumed by the customer, the Group's performance obligation to render such services qualifies for revenue recognition over time by applying par. 35(a) of PFRS 15. The Group recognizes revenue from manpower supply services by applying the "right to invoice" practical expedient since the Group's right to payment is for an amount that corresponds directly with the value to the customer of the Group's performance to date.

Contract balances arising from revenue with customer contracts
Receivables
A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract assets
A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

Contract liabilities
A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

Revenue Recognition Prior to January 1, 2018

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and other sales taxes or duty. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent.

The following specific recognition criteria must also be met before revenue is recognized:

Revenue from construction contracts
Revenue from construction contracts are recognized using the percentage-of-completion method of accounting. Under this method, revenue is generally measured on the basis of estimated completion of the physical proportion of the contract work.

Expected losses on contracts are recognized immediately when it is probable that the total contract costs will exceed total contract revenue. The amount of such loss is determined irrespective of whether or not work has commenced on the contract; the stage of completion of contract activity; or the amount of profits expected to arise on other contracts, which are not treated as a single construction contract. Changes in contract performance, contract conditions and estimated profitability, including those arising from contract penalty provisions and final contract settlements that may result in revisions to estimated costs and gross margins are recognized in the year in which the changes are determined. Profit incentives are recognized as revenue when their realization is reasonably assured.

The asset "Costs and estimated earnings in excess of billings on uncompleted contracts" represents total costs incurred and estimated earnings recognized in excess of amounts billed. The liability "Billings in excess of costs and estimated earnings on uncompleted contracts" represents billings in excess of total costs incurred and estimated earnings recognized. Contract retentions are presented as part of "Trade receivables" under the "Receivables" account in the consolidated statement of financial position.

Revenue from sale of goods
Revenue from sale of merchandise is recognized immediately upon the buyer's acceptance of delivery when the installation process is simple in nature, as applicable, otherwise, revenue is recognized when the buyer accepts delivery and when installation and inspection are complete.

*Revenue from s*chool and related operations:
Revenues from school operations are recognized as income over the corresponding school term. Unearned revenues are shown as unearned tuition fees in the consolidated statement of financial position and will be recognized as revenues when the educational service has been fulfilled in the applicable school term.

Admission, examination and other fees are recognized as income when examination has been granted by the school and related services have been provided to the students.

Revenue from power generation
Revenue derived from the generation and/or supply of electricity is recognized based on the actual delivery of electricity as agreed upon between parties.

<u>Interest Income</u>
Interest income is recognized as it accrues taking into account the effective yield on the asset.

<u>Rent Income</u>
Rent income is recognized as revenue on a straight-line basis over the lease term.

<u>Dividend Income</u>
Dividend income is recognized when the Group's right to receive the payment is established.

Expenses
Expenses are recognized in the consolidated statement of income when decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably.

Cost of sales and services
Cost of sales is recognized as an expense when the related goods are sold. Cost of services include all direct materials and labor costs and those indirect costs related to contract performance which are recognized as incurred.

General and administrative expenses
Administrative expenses constitute costs of administering the business and are expensed as incurred.

Current versus Non-current Classification
The Group presents assets and liabilities in statement of financial position based on current/non-current classification. An asset as current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period or
- Cash and cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period or
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period

The Group classifies all other liabilities as non-current. Deferred tax assets and deferred tax liabilities are classified as non-current assets and liabilities.

Cash and Cash Equivalents
Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three (3) months or less from date of placement and that are subject to an insignificant risk of changes in value.

Fair Value Measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 - valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 - valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Financial Instruments - Initial Recognition and Subsequent Measurement Effective January 1, 2018

Financial Assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss (FVPL).

The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Group’s business model for managing them. With the exception of trade receivables that do not contain a significant financing component, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price determined under PFRS 15.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are ‘solely payments of principal and interest (SPPI)’ on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortized cost (debt instruments)
The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost includes Cash and cash equivalents, Receivables, and Receivables from related parties.

Financial assets designated at fair value through OCI (equity instruments)
Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation*, and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the consolidated statement of income when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group does not have any debt financial assets at fair value through OCI and financial assets at fair value through profit or loss as of December 31, 2019 and 2018.

Impairment of financial assets
The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to

receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The loss allowance was adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECL is based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

The Group generally considers a financial asset in default when contractual payments are 90 days past due. For a financial asset that arises from long-term construction contracts, the Group considers the asset to be in default if contractual payments are not settled within 30 days from the completion of the construction project. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial Liabilities

Issued financial liabilities or their components, which are not designated as financial liabilities at FVPL, are classified as other financial liabilities where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

Subsequent to initial recognition, the Group's financial liabilities are carried at amortized cost. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the consolidated statement of income. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

This category generally applies to the Group' Accounts payable and other current liabilities, Loans payable, Long-term debt, Lease liabilities and Due to related parties.

Derecognition of Financial Instruments

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when: (a) the rights to receive cash flows from the asset have expired; or (b) the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; and either (i) has transferred substantially all the risks and rewards of the asset, or (ii) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of income.

Other financial liabilities
Other financial liabilities are nonderivative financial liabilities with fixed or determinable payments that are not quoted in an active market. These liabilities are carried at amortized cost in the consolidated statement of financial position. Amortization is determined using the effective interest method. Gains and losses are recognized in the consolidated statement of comprehensive income, when the liabilities are derecognized as well as through the amortization process.

Other financial liabilities are classified as current liabilities when it is expected to be settled within twelve (12) months from the financial reporting date or the Group does not have an unconditional right to defer settlement for at least 12 months from financial reporting date. Otherwise, these are classified as noncurrent liabilities. Gains and losses are recognized in the consolidated statement of income when the liabilities are derecognized.

The Group's other financial liabilities consist of Accounts payable and other current liabilities, Loans payable, Long-term debt, Lease liabilities and Due to related parties.

Financial Instruments - Initial Recognition and Subsequent Measurement Prior to January 1, 2018

<u>Financial Instruments</u>
Date of recognition
The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial instruments that require delivery of financial instruments within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

Initial recognition of financial instruments
All financial assets and financial liabilities are initially recognized at fair value. Except for financial assets and liabilities at fair value through profit or loss (FVPL), the initial measurement of financial assets and liabilities include transaction costs. The Group classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, available-for-sale (AFS) financial assets, or loans and receivables. The Group classifies its financial liabilities as financial liabilities at FVPL or other financial liabilities.

The classification depends on the purpose for which the investments were acquired and whether these are quoted in an active market. Management determines the classification at initial recognition and re-evaluates such designation, where allowed and appropriate, at every financial reporting date.

Financial instruments are classified as liability or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity net of any related income tax benefits.

The Group do not have any HTM investments and financial liabilities at FVPL as of December 31, 2017.

The Group assesses whether embedded derivatives are required to be separated from host contracts when the Group first becomes party to the contract. An embedded derivative is separated from the host contract and accounted for as a derivative if all of the following conditions are met: a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics of the host contract; b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and c) the hybrid or combined instrument is not recognized at FVPL. Reassessment of embedded derivatives is only done when there are changes in the contract that significantly modifies contractual cash flows.

Financial assets at FVPL
This includes financial assets held for trading and financial assets designated upon initial recognition as at FVPL. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Financial assets at FVPL are recorded in the consolidated statement of financial position at fair value with unrealized mark-to-market gains and losses reported as part of the current year operations in the consolidated statement of income. Interest earned or incurred is recorded in interest income or expense, respectively, while dividend income is recorded when the right to receive payment has been established. Derivatives, including separated embedded derivatives are also classified as FVPL unless they are designated as effective hedging instruments or a financial guarantee contract.

Financial assets may be designated at initial recognition as at FVPL if any of the following criteria are met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis; or
- The assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- The financial instrument contains an embedded derivative that would need to be separately recorded.

The Group's financial asset at FVPL consist of peso-denominated investment in unit investment trust fund (UITF) in Rizal Commercial Banking Corporation (RCBC).

Loans and receivables
Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as financial assets held for trading, designated as available-for-sale or

as financial assets at FVPL. After initial measurement, loans and receivables are carried at amortized cost using the effective interest rate method less any allowance for impairment. Gains and losses are recognized in the consolidated statement of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

This category includes the Group's cash and cash equivalents, accounts receivable, loans receivable, receivables from related parties, receivable from a customer, miscellaneous deposits (included in the prepaid expenses and other current assets) and receivable from EEI Retirement Fund, Inc.

AFS financial assets
AFS financial assets are those nonderivative financial assets that are designated as AFS or are not classified in any of the three preceding categories. These are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. These include government securities, equity investments and other debt instruments.

After initial measurement, AFS financial assets are measured at fair value with unrealized gains or losses recognized directly in equity until the investment is derecognized or determined to be impaired at which time the cumulative gain or loss previously recorded in equity is recognized in the consolidated statement of income. The unrealized gains and losses arising from the fair valuation of available-for-sale financial assets are excluded from reported earnings and are reported in other comprehensive income. When the investment is disposed of, the cumulative gain or loss previously recognized in equity is recognized in "Other income (loss)" account in the consolidated statement of income. Where the Group holds more than one investment in the same security, these are deemed to be disposed of on a first-in first-out basis. Interest earned on holding available-for-sale debt investments are reported as interest income using the EIR. Dividends earned on holding available-for-sale equity investments are recognized in the consolidated statement of income as "Other income" account when the right to receive payment has been established. The losses arising from impairment of such investments are recognized as "Provisions on impairment losses" under operating expenses in the consolidated statement of income.

If the fair market value of the unquoted equity instruments under available-for-sale cannot be reliably measured, the financial asset is carried at cost less allowance for impairment loss, if any.

Available-for-sale financial assets are classified as current assets when it is expected to be sold or realized within twelve (12) months after the reporting date or within the normal operating cycle, whichever is longer.

The Group's available-for-sale financial assets include investments in quoted and unquoted golf club and equity shares (Note 11).

Derivative financial instruments
Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of derivatives are included in the statement of income.

Derivatives embedded in other financial instruments are treated as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contract, and the host contract is not itself held for trading or designated at FVPL.

The Group has no derivative financial instruments as at December 31, 2017.

Impairment of Financial Assets

The Group assesses at each financial reporting date whether a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a borrower or a group of borrowers are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortized cost

The Group first assesses whether an objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognized, are not included in a collective assessment for impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred).

The carrying amount of the asset is reduced through use of an allowance account and the amount of loss is charged to the consolidated statement of income. Loans, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as year-level of students for information technology and education segment, customer profile and mode of payment for car dealership segment.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

AFS financial assets carried at cost
If there is an objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

AFS financial assets carried at fair value
In case of equity instruments classified as available-for-sale, impairment would include a significant or prolonged decline in the fair value of investments below its cost. If an available-for-sale security is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in the consolidated statement of income, is transferred from other comprehensive income to the consolidated statement of income. Reversals in respect of equity instruments classified as available-for-sale are not recognized in the consolidated statement of income but in other comprehensive income. Reversals of impairment losses on debt instruments classified as available-for-sale are reversed to operations if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in the consolidated statement of income.

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position only if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

Jointly Controlled Operations
A jointly controlled operation involves the use of the assets and other resources of the venturers rather than the establishment of a corporation, partnership or other entity, or a financial structure that is separate from the venturers themselves. Each venturer uses its own property, plant and equipment and carries its own inventories. It also incurs its own expenses and liabilities and raises its own finance, which represent its own obligations.

Inventories
Inventories are valued at the lower of cost and net realizable value (NRV). NRV is the selling price in the ordinary course of business, less the estimated costs of completion of inventories and the estimated costs necessary to sell.

Cost includes purchase price and other costs directly attributable to its acquisition such as non-refundable taxes, handling and transportation cost.

The cost of real estate inventories includes (a) land cost; (b) freehold and leasehold rights for land; (c) amounts paid to contractors for construction; (d) borrowing costs, planning and design cost, cost of site preparation, professional fees, property taxes, construction overheads and other related costs.

Cost of inventories is generally determined primarily using the moving-average method, except for automotive units of the car dealerships and real estate inventories of EEI Realty, which are accounted for using the specific identification method.

Value-Added Tax (VAT)
Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the consolidated statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the consolidated statement of financial position up to the extent of the recoverable amount.

Prepaid Expenses
Prepaid expenses are carried at cost less the amortized portion. These typically comprise prepayments of insurance premiums, rents and others. It is included as part of other current assets in the consolidated statement of financial position.

Other Current Assets
Other current assets pertain to other resources controlled by the Group as a result of past events and from which future economic benefits are expected to flow to the Group within the reporting period.

Investments in Associates and Joint Venture
An associate is an entity in which the Group has significant influence. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Investments in associates and joint venture are accounted for using the equity method of accounting. Under this method, the investment amount is increased or decreased to recognize the Group's share in the profit or loss of the investee after the date of acquisition. Dividends received from the investee reduces the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the Group's proportionate interest in the investee arising from changes in the investee's other comprehensive income.

Gains and losses resulting from 'upstream' and 'downstream' transactions between the Group and its associate or joint venture are recognized in the consolidated financial statements only to the extent of unrelated investors' interests in the associate or joint venture.

The reporting dates and the accounting policies of the associates and joint venture conform to those used by the Group for like transactions and events in similar circumstances.

The Group discontinues applying the equity method when their investment in investee company is reduced to zero. Accordingly, additional losses are not recognized unless the Group has guaranteed certain obligations of the investee company. When the investee company subsequently reports net income, the Group will resume applying the equity method but only after its share of that net income equals the share of net losses not recognized during the period the equity method was suspended.

The reporting dates of the investee company and the Group are identical and the investee companies' accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

After application of the equity method, the Group determines whether it is necessary to recognize an additional impairment loss on the Group's investment in its associates and joint venture. The Group determines at each reporting date whether there is any objective evidence that the investment in the associates and joint venture is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the impairment loss in the consolidated statement of income.

Upon loss of significant influence over the associate, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associates or joint venture upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in the consolidated statement of income.

The Group's associates and joint venture accounted for using the equity method as of December 31 follows:

	Place of Incorporation	Nature of Business	Functional Currency	Percentage of Ownership 2019	2018
Associates:					
Hi-Eisai Pharmaceutical, Inc. (HEPI)	Philippines	Pharmaceutical	Philippine peso	**50.00**	50.00
Petroenergy Resources Corporation (PERC)	Philippines	Renewable energy	Philippine peso	**29.10**	28.36
T'boli Agro-Industrial Development, Inc.	Philippines	Agriculture	Philippine peso	**28.47**	28.47
Manila Memorial Park Cemetery, Inc. (MMPC)	Philippines	Funeral service	Philippine peso	**25.98**	25.98
Sojitz G Auto Philippines Corporation (SGAPC)	Philippines	Automotive distributor	Philippine peso	**20.00**	–
RCBC Realty Corporation (RRC)	Philippines	Realty	Philippine peso	**10.00**	10.00
La Funeraria Paz Sucat, Inc. (LFPSI)	Philippines	Funeral service	Philippine peso	–	37.50
Al-Rushaid Construction Company Limited (ARCC)	Saudi Arabia	Construction	Saudi riyal	**49.00**	49.00
PetroSolar Corporation (PSOC)	Philippines	Renewable energy	Philippine peso	**44.00**	44.00
Joint venture:					
Shinbayanihan Heavy Equipment Corporation (SHEC)	Philippines	Equipment rental	Philippine peso	**40.00**	–
PetroWind Energy, Inc. (PWEI)	Philippines	Renewable energy	Philippine peso	**20.00**	20.00

On November 8, 2019, the Group purchased 2,500,000 shares of SGAPC from Sojitz Corporation amounting to ₱50.00 million or equivalent to 20.00% ownership equity.

In July 2019, the Group acquired 40.00% stake in SHEC and was accounted for as joint venture (Note 12).

On April 16 and 30, 2019, the Group purchased additional 2,913,090 and 1,240,561 PERC shares, respectively, resulting to an increase in ownership interest from 28.36% to 29.10%.

On March 1, 2019, the Group purchased additional 90,000 shares of LFPSI for ₱25.00 million resulting to an increase in direct ownership from 37.50% to 50.00%. The Group's total effective interest in LFPSI as of December 31, 2019 is 63.00%, including its 13.00% indirect ownership. Accordinly, LPFSI became a subsidiary effective March 1, 2019.

On February 2, 2018, the Group purchased additional 69.3 million PERC shares from stock rights offering for ₱332.6 million resulting to an increase in ownership interest from 22.41% to 28.36%.

Property and Equipment

Property and equipment, except for land, are stated at cost, less accumulated depreciation, amortization and impairment loss, if any.

The initial cost of property and equipment consists of its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the assets have been put into operation, such as repairs and maintenance, are normally charged to operations in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment. When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected as part of current operations.

Depreciation is computed using the straight-line method over the following average EUL:

	Years
Buildings and improvements	5 to 40
Machinery, tools and construction equipment	2 to 20
Transportation and service equipment	5
Furniture, fixtures and office equipment	3 to 10

Amortization of improvements is computed over the EUL of the improvement or term of the lease, whichever is shorter.

The useful lives and depreciation method are reviewed periodically to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

Minor repairs and maintenance costs are charged to consolidated statement of income as incurred; significant renewals and betterments are capitalized. When assets are retired or otherwise disposed of, the cost or revalued amount, appraisal increase and related accumulated depreciation and amortization are removed from the accounts and any resulting gains or losses are reflected in the consolidated statement of income.

Construction in progress represents property and equipment under construction and is stated at cost. This includes cost of construction, plant and equipment and other direct costs. Construction in progress is not depreciated until such time that the relevant assets are completed and put into operational use.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income in the year the asset is derecognized.

Land is carried at its revalued amount. The appraised values used for revaluation were determined by an independent firm of appraisers.

The initial cost of land consists of its purchase price and directly attributable costs of bringing the asset to its working condition and location for its intended use.

The appraisal increment (net of deferred tax) resulting from the revaluation is credited to OCI and accumulated in equity under “revaluation increment on land - net” account. To the extent that a revaluation increase of an asset reverses a revaluation decrease of the same asset that was previously recognized as an expense in profit or loss, such increase should be credited to income in profit or loss.

Decreases in valuation should be charged to profit or loss, except to the extent that they reverse the existing accumulated revaluation increment on the same asset and therefore such decrease is recognized in OCI. The decrease recognized in OCI reduces the amount accumulated in equity under revaluation increment on land - net account.

The same rules apply to impairment losses. An impairment loss on a revalued asset is first used to reduce the revaluation increment for that asset. Only when the impairment loss exceeds the amount in the revaluation increment for that same asset is any further impairment loss recognized in profit or loss.

Upon disposal of land, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

The asset's residual values, useful lives and methods of depreciation and amortization are reviewed, and adjusted if appropriate, at each financial year-end.

Investment Properties

Investment properties are measured at cost less accumulated depreciation and impairment loss, if any, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met. Investment properties are depreciated on a straight-line basis over its estimated useful life of fifteen (15) to twenty years (20). Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any impairment in value.

Investment properties are derecognized when they either have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated statement of income in the year of retirement or disposal.

Transfers are made to investment property when there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment property when there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale.

Transfers between investment property, owner-occupied property and inventories do not change the carrying amount of the property transferred and they do not change the cost of that property for measurement or disclosure purposes.

Software Costs

Software costs are stated at cost less accumulated amortization and any impairment in value. Costs related to software purchased by the Group for use in the operations are amortized on a straight-line basis over a period of three (3) years.

Costs associated with developing and maintaining computer software programs are recognized as an expense when incurred. Costs that are directly associated with identifiable and unique software controlled by the Group and will generate economic benefits exceeding costs beyond one year, are recognized as intangible assets to be measured at cost less accumulated amortization and provision for impairment losses, if any.

Impairment of Nonfinancial Assets
For investments in Associate and joint venture, Property and equipment, Right-of-use asset, Investment properties and Computer software costs, the Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An assets' recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income.

Impairment losses are recognized in the consolidated statement of income in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to equity. In this case, the impairment is also recognized in equity up to the amount of any previous revaluation.

Borrowing Costs
Borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset including property and equipment while the qualifying asset is under construction are capitalized as part of the cost of that asset. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Capitalization of borrowing cost should commence when: (i) expenditures for the asset and borrowing costs are being incurred; and (ii) activities that are necessary to prepare the asset for its intended use or sale are in progress.

Capitalization ceases when the asset is substantially ready for its intended use or sale. If active development is interrupted for an extended period, capitalization is suspended. When construction occurs piecemeal and use of each part is possible as construction continues, capitalization of each part ceases upon substantial completion of that part. For borrowing of funds associated with a specific asset, the actual rate on that borrowing is used. Otherwise, a weighted average cost of borrowing is used. All other borrowing costs are expensed as incurred. However, if the carrying amount of the asset after capitalization of borrowing costs exceeds its recoverable amount, an impairment loss is recognized.

Business Combination and Goodwill
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with PAS 39 either in profit or loss or as a change to OCI. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

PFRS 3 provides that if the initial accounting for a business combination can be determined only provisionally by the end of the period in which the combination is effected because either the fair values to be assigned to the acquiree's identifiable assets, liabilities or contingent liabilities or the cost of the combination can be determined only provisionally, the acquirer shall account for the combination using those provisional values. The acquirer shall recognize any adjustments to those provisional values as a result of completing the initial accounting within twelve months of the acquisition date as follows: (i) the carrying amount of the identifiable asset, liability or contingent liability that is recognized or adjusted as a result of completing the initial accounting shall be calculated as if its fair value at the acquisition date had been recognized from that date; (ii) goodwill or any gain recognized shall be adjusted by an amount equal to the adjustment to the fair value at the acquisition date of the identifiable asset, liability or contingent liability being recognized or adjusted; and (iii) comparative information presented for the periods before the initial accounting for the combination is complete shall be presented as if the initial accounting has been completed from the acquisition date.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss. Before recognizing a gain on a bargain purchase, the Group assesses whether it has correctly identified all of the assets acquired an all of the liabilities assumed, and recognize any additional assets or liabilities that are identified in that review.

Following initial recognition, goodwill is measured at cost less any accumulated impairment loss. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For purposes of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Each unit or group of units to which the goodwill is allocated should:

- represent the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- not be larger than an operating segment determined in accordance with PFRS 8, *Operating Segments*

Impairment is determined by assessing the recoverable amount of the CGU (or group of CGUs), to which the goodwill relates. Where the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount, an impairment loss is recognized. Where goodwill forms part of a CGU (or group of CGUs) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in these circumstances is measured based on the relative values of the operation disposed of and the portion of the CGU retained. If the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the acquirer shall recognize immediately in the consolidated statement of income any excess remaining after reassessment.

General and Administrative Expenses
The Group's general and administrative expenses constitute costs of administering the business. General and administrative expenses are recognized as incurred.

Foreign Currency-denominated Transaction and Translation
The consolidated financial statements are presented in Philippine Peso. Each entity in the Group determines its own functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded in the functional currency rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate at the reporting date. All differences are taken to consolidated statement of income. Non-monetary items that are measured in terms of historical cost in foreign currency are translated using the exchange rates as at the dates of initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

As at reporting date, the assets and liabilities of subsidiaries whose functional currency is not the Philippines Peso are translated into the presentation currency of the Parent Company (the Philippine Peso) at the closing rate as at the reporting date, and the consolidated statement of income accounts are translated at monthly weighted average exchange rate. Likewise, the the financials of the Group's associate whose functional currency is not the Philippine Peso that is accounted for under equity method are translated to the presentation currency of the Parent Company in a similar manner. The exchange differences arising on the translation are taken directly to a separate component of equity under "Cumulative translation adjustments" account.

Upon disposal of a foreign subsidiary, the deferred cumulative amount recognized in other comprehensive income relating to that particular foreign operation is recognized in the consolidated statement of income.

Retirement Cost
Defined benefit plan
The defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets, if any, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benfits available in the form or refunds from the plan or reduction in the future contributions to the plan.

Defined benefit costs on the Group's defined benefit retirement plan are actuarially computed using the projected unit credit (PUC) valuation method. Under this method, the current service cost is the present value of retirement benefits payable in the future with respect to the services rendered in the current period.

Defined benefit costs comprise the following:
(a) service cost;
(b) net interest on the net defined benefit liability or asset; and
(c) remeasurements of net defined benefit liability or asset.

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Income Tax

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and the tax laws used to compute the amount are those that are enacted or substantially enacted by the end of the financial reporting date.

Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, including asset revaluations. Deferred income tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits from excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT), net operating loss carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carryforward of unused MCIT and NOLCO can be utilized.

Deferred tax liabilities are not provided on non-taxable temporary differences associated with investments in domestic subsidiaries, associate and interest in joint venture. With respect to investments in foreign subsidiaries, associate and interest in joint venture, deferred tax liabilities are recognized except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed by the end of each financial reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be used. Unrecognized deferred tax assets are reassessed at the end of each financial reporting date and are recognized to the extent that it has become probable that future taxable profit will be available to allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted by the end of the financial reporting date.

Deferred tax relating to items recognized outside profit or loss are recognized in correlation to the underlying transactions either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and deferred income taxes relate to the same entity and the same taxation authority.

Basic and Diluted Earnings Per Share (EPS)

Basic EPS is computed by dividing net income for the year attributable to equity holders of the Group adjusted for the after-tax amounts of dividends on preferred stock by the weighted average number of common stock outstanding during the year, after giving retroactive effect for any stock dividends, stock splits or reverse stock splits.

Diluted EPS is computed by adjusting the net income for the year attributable to equity holders of the Group and the weighted average number of common stock outstanding during the year after giving retroactive effect for any stock dividends, stock splits or reverse stock splits and adjusted for the effects of all dilutive potential common stock.

Provisions

Provisions are recognized when: (a) the Group has a present obligation (legal or constructive) as a result of a past event; (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

Stock Option Plan
No benefit expense is recognized relative to the shares issued under the stock options plan. When the shares related to the stock option plans are subscribed, these are treated as capital stock issuances. The stock option plan is exempt from PFRS 2, *Share-based Payment*.

Segment Reporting
The Group's operating business are organized and managed separately according to the nature of services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in Note 37.

Capital Stock
The Group records common stocks at par value and additional paid-in capital in excess of the total contributions received over the aggregate par values of the equity shares. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax. When the Group purchases the Group's capital stock (treasury shares), the consideration paid, including any attributable incremental costs, is deducted from equity attributable to the Group's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related tax effects is included in equity (Note 39).

Equity Reserve
Equity reserve consist of equity transactions other than capital contributions, such as equity transactions arising from transactions with NCI.

Retained Earnings
Retained earnings represent accumulated earnings of the Group and any adjustment arising from application of new accounting standards, policies or corrections of errors applied retroactively less dividends declared. It includes the accumulated equity in undistributed earnings of consolidated subsidiaries which are not available for dividends until declared by subsidiaries. Appropriated retained earnings are those that are restricted for planned investments and business expansion. Unappropriated retained earnings are those that can be allocated for specific purposes and can be distributed as dividend. Retained earnings are further restricted for the payment of dividends to the extent of the cost of treasury shares (Note 40).

Events After the Financial Reporting Date
Post year-end events that provide additional information about the Group's position at the end of the financial reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to consolidated financial statements when material.

5. **Significant Accounting Judgments and Estimates**

The preparation of the consolidated financial statements in compliance with PFRSs requires the Group to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. Future events may occur which can cause the assumptions used in arriving at those estimates to change. The effects of any changes in estimates will be reflected in the consolidated financial statements as they become reasonably determinable.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ for such estimates.

Judgment

Determining control over an entity in which Parent Company holds less than majority of voting rights
The Parent Company has determined that it is still the largest stockholder of IPO with 48.18% equity interest and continues to have control over IPO by virtue of the its power to nominate majority of the members of the BOD of IPO thereby exercising control and supervision on IPO's operations as well as financing activities. Accordingly, the Parent Company assessed that IPO continues to be a subsidiary even though it owns less than 50% equity interest over IPO after the merger (Note 15).

Determination of functional currency
PAS 21, *The Effects of Changes in Foreign Exchange Rates*, requires management to use its judgment to determine the entity's functional currency such that it most faithfully represents the economic effects of the underlying transactions, events and conditions that are relevant to the entity. In making this judgment, the following were considered:
- The currency that mainly influences sales prices for financial instruments and services (this will often be the currency in which sales prices for its financial instruments and services are denominated and settled);
- The currency in which funds from financing activities are generated; and
- The currency in which receipts from operating activities are usually retained.

The functional currency is Philippine peso as disclosed in Note 2.

Determination of lease term of contracts with renewal and termination options - Group as a lessee
The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

The Group included the renewal period as part of the lease term for leases with shorter non-cancellable period (i.e., three to ten years). The Group typically exercises its option to renew for these leases because there will be a significant negative effect on production if a replacement asset is not readily available. The renewal periods for leases of land and office spaces with longer non-cancellable periods are not included as part of the lease term as these are not reasonably certain to be exercised (Note 14).

Recognition of revenue from construction contracts
Under PFRS 15, the Group assessed that there is only one performance obligation for each construction agreement that it has entered and that revenue arising from such agreements qualify for recognition over time. The Group elected to use the input method to measure the progress of the fulfilment of its performance obligation, which is based on the actual costs incurred to date relative to the total estimated cost to complete the construction projects. The Group believes that this method faithfully depicts the Group's performance towards satisfaction of its performance obligation because there is a direct relationship between the Group's effort (i.e., costs incurred) and the transfer of service to the customer (Notes 4 and 23).

Recognition of tuition and other matriculation fees over time
The Group determined that tuition and other matriculation fees are to be recognized over time using the output method on the basis of time lapsed over the service period since it provides a faithful depiction of the Group's performance in transferring control of the services to the students. The fact that another entity would not need to re-perform the service that the Group has provided to date demonstrates that the customer or the student simultaneously receives and consumes the benefits of the Group's performance as it performs (Note 23).

Determination of significant influence on investment in an associate if ownership is less than 20%
Holding of less than 20% of voting rights is presumed not to give rise to significant influence unless it can be clearly demonstrated that there is in fact significant influence. The Parent Company is able to exercise significant influence for ownership less than 20% because it has an active participation in the policy-making process including operating decisions of the investee.

As of December 31, 2019 and 2018, the Parent Company holds 10% of interest in RRC. The Parent Company exercises significant influence in RRC since the Parent Company's President is the concurrent president of RRC. The president is also a member of the BOD. As such, the president of the Parent Company effectively has a participation in the policy-making process of RRC. Hence, the Parent Company is able to exercise significant influence even if ownership is less than 20%.

Assessment of joint control
Judgment is required to determine when the Group has joint control over an arrangement, which requires an assessment of the relevant activities and when the decisions in relation to those activities require unanimous consent. The Group assesses their rights and obligations arising from the arrangement and specifically considers:
- the structure of the joint arrangement - whether it is structured through a separate vehicle
- when the arrangement is structured through a separate vehicle, the Group also considers the rights and obligations arising from:
- the legal form of the separate vehicle
- the terms of the contractual arrangement other facts and circumstances, considered on a case by case basis

<u>Estimates</u>
The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Leases - Estimating the incremental borrowing rate
The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

The Group's lease liabilities amounted to ₱1.54 billion as of December 31, 2019 (Note 14).

Estimating variable considerations arising from change orders and claims (applicable beginning January 1, 2018)
The Group frequently agrees to change orders that modify the scope of its work previously agreed with customers and regularly submits claims to customers when unanticipated additional costs are incurred because of delays or changes in scope caused by the customers. PFRS 15 requires the Group to recognize, as part of its revenue from construction contracts, the estimated amounts the Group expects to be entitled to and to be received from customers due to these change orders and claims (otherwise known as variable considerations), provided that it is highly probable that a significant reversal of the revenue recognized in connection with these variable considerations will not occur in the future. For these unpriced change orders and claims, the Group uses the "most likely amount" method to predict the amount to which it will be entitled and expected to be received from the customers.
The aggregate carrying values of receivables and contract assets arising from construction contracts amounted to ₱15.73 billion and ₱9.75 billion as of December 31, 2019 and 2018, respectively (Notes 7, 8 and 17).

Fair value measurement of unquoted equity investments at FVOCI (applicable beginning January 1, 2018)
The Group uses valuation techniques such as discounted cash flow approach and adjusted net asset method with significant unobservable inputs to calculate the fair value of its unquoted equity investments at FVOCI. These inputs include revenue growth assumptions, discount rates, appraised value of real properties, among others. Changes in assumptions relating to these factors could affect the reported fair value of these unquoted equity financial instruments.

The fair value of unquoted equity investments amounted to ₱1.04 billion and ₱0.91 billion as of December 31, 2019 and 2018, respectively (Note 11).

Provision for expected credit losses of trade receivables and contract assets (applicable beginning January 1, 2018)
The Group uses the simplified approach in calculating the ECL of its trade receivables and contract assets wherein the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The model is based on the Group's historical observed default rates and adjusted to include forward looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

As of December 31, 2019 and 2018, the aggregate carrying values of receivables and contract assets are disclosed in Notes 7, 8, 17 and 22 to the consolidated financial statements.

Estimation of allowance for doubtful accounts (applicable prior to January 1, 2018)
The Group maintains an allowance for impairment at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by management on the basis of factors that affect the collectability of the accounts. For education segment, the evaluation factors will include the number of days the receivables is outstanding, year level of students and historical experience. For other segments the evaluation of collectability considers the length of the Group's relationship with the customer, the customer's payment behavior and known market factors.

The Group reviews the age and status of receivables, and identifies accounts that are to be provided with allowances on a continuous basis or those with existing allowances needing reversals.

The carrying value of receivables are disclosed in Notes 7 and 22 to the consolidated financial statements.

Purchase price allocation in business combinations and goodwill
The Group's consolidated financial statements reflect the acquired entities (AEI and its subsidiaries prior to the merger) after the completion of the merger between IPO and AEI which is effective May 2, 2019. The Group accounts for the acquired business using the acquisition method, which requires extensive use of accounting judgments and estimates to allocate the purchase price to the fair market values of the acquiree's identifiable assets and liabilities and contingent liabilities, if any, at the acquisition date. Any excess in the purchase price over the fair market values of the net assets acquired is recorded as goodwill in the consolidated statement of financial position. Thus, the numerous judgments made in estimating the fair value to be assigned to the acquiree's assets and liabilities can materially affect the Group's financial position and performance.

The merger resulted in the recognition of student relationship, intellectual property rights and goodwill from the excess of the acquisition cost over the fair value of net assets acquired (Notes 15 and 17).

Valuation of land under revaluation basis
The Group's parcel of land are carried at revalued amounts. The valuations of these parcels of land were performed by SEC accredited independent appraisers and were determined using the market approach. Significant adjustments to inputs used in determining the fair value of land such as location and utility could affect the appraised value of the assets.

Land carried under revaluation basis amounted to ₱9.19 billion and ₱7.02 billion as of December 31, 2019 and 2018, respectively. The key assumptions used to determine the fair value of the parcels of land are disclosed in Note 13.

Impairment of nonfinancial assets
The Group assesses impairment on its property and equipment, right-of-use assets, intangible assets (other than goodwill and intellectual property rights) and noncurrent assets whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. The factors that the Group considers important which could trigger an impairment review include significant underperformance relative to expected historical or projected future operating results, significant changes in the manner of use of the acquired assets or the strategy for overall business, and significant negative industry or economic trends.

An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. The fair value is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

Impairment of goodwill, student relationship and intellectual property rights are assessed at least on an annual basis. In assessing the impairment, the Group determines the recoverable amount using value in use with detailed disclosures made in Note 15. There is no impairment loss recognized on these assets in 2019, 2018 and 2017. As at December 31, 2019 and 2018, the carrying value of goodwill amounted to ₱484.83 million and ₱471.36 million, respectively (Note 15).

As to the Group's property and equipment, student relationship and noncurrent assets, impairment loss amounting to ₱21.00 million was recognized for the year ended December 31, 2019. No impairment loss was recognized in 2018 and 2017 (Notes 13 and 17).

Estimation of retirement benefits
The determination of the obligation and cost of retirement benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, discount rates and salary increase rates which were disclosed in Note 32. While the Group believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the retirement and other obligations.

Retirement assets amounted to ₱18.29 million and ₱28.06 million as of December 31, 2019 and 2018, respectively whereas retirement liabilities amounted to ₱457.84 million and ₱141.02 million as of December 31, 2019 and 2018, respectively (Note 32).

Realizability of deferred tax assets
The Group reviews the carrying amounts of deferred income taxes at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Where there is no absolute assurance that each legal entity in the Group will generate sufficient taxable profit to allow all or part of its deferred tax assets to be utilized, deferred tax assets are not recognized.

Deferred tax assets recognized and unrecognized by the Group are disclosed in Note 33 to the consolidated financial statements.

Provisions and contingencies
The Group is currently involved in various proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the Group's defense in these matters and is based upon an analysis of potential results. The Management does not believe that these proceedings will have a material adverse effect on the Group's financial statement because management and its legal counsels believe that the Group has substantial legal and factual bases for its position (Notes 18 and 35).

6. **Cash and Cash Equivalents**

This account consists of:

	2019	2018
Cash on hand and in banks	**₱1,676,600,484**	₱1,465,704,010
Short-term investments	**1,010,068,590**	573,960,815
	₱2,686,669,074	₱2,039,664,825

Cash in banks earns interest at the respective bank deposit rates. Short-term investments are made for varying periods of up to three (3) months depending on the immediate cash requirements of the Group and earns annual interest at the respective short-term investment rates.

Interest income from cash in banks and short-term investments amounted to ₱37.19 million, ₱17.53 million and ₱17.31 million for the years ended December 31, 2019, 2018 and 2017, respectively (Note 24).

7. Receivables

This account consists of:

	2019	2018
Trade		
Construction and infrastructure	**₱4,132,893,711**	₱3,157,748,969
Education	**901,585,558**	302,795,237
Car dealership	**708,660,520**	813,294,034
Other services	**114,165,831**	97,597,545
Other receivables		
Advances to officers and employees	**103,349,773**	54,704,876
Receivables from plant	**56,369,572**	52,527,813
Receivable from EEI RFI (Notes 17 and 32)	**55,000,000**	55,000,000
Receivable from customers	**35,174,526**	65,201,427
Dividends receivable (Note 22)	**29,666,808**	13,972,047
Receivable from sale of investment properties	**22,790,885**	125,789,113
Rent receivable	**626,549**	721,798
Current portion of loans receivable	**–**	10,105,165
Others	**372,246,516**	263,418,337
	6,532,530,249	5,012,876,361
Less allowance for impairment	**286,043,524**	232,855,171
	₱6,246,486,725	₱4,780,021,190

The movements in allowance for impairment for the years ended December 31 follow:

	2019					
	Construction and Infrastructure	**Car Dealership**	**Education and Information Technology**	**Other Services**	**Other Receivables**	**Total**
Balances at beginning of year	**₱52,855,392**	**₱39,310,600**	**₱61,347,299**	**₱7,835,959**	**₱71,505,921**	**₱232,855,171**
Provisions - net of recoveries (Notes 29)	**(1,665,750)**	**–**	**69,816,902**	**14,141**	**(14,836,591)**	**53,328,702**
Write-offs	**–**	**–**	**–**	**(140,349)**	**–**	**(140,349)**
Balances at end of year	**₱51,189,642**	**₱39,310,600**	**₱131,164,201**	**₱7,709,751**	**₱56,669,330**	**₱286,043,524**

	2018					
	Construction and Infrastructure	Car Dealership	Education and Information Technology	Other Services	Other Receivables	Total
Balances at beginning of year	₱20,771,357	₱37,680,707	₱65,536,139	₱5,972,188	₱71,213,389	₱201,173,780
Impact of PFRS 9	38,782,324	–	–	–	–	38,782,324
Provisions - net of recoveries (Notes 29)	(6,698,289)	1,629,893	1,899,577	1,863,771	292,532	(1,012,516)
Write-offs	–	–	(6,088,417)	–	–	(6,088,417)
Balances at end of year	₱52,855,392	₱39,310,600	₱61,347,299	₱7,835,959	₱71,505,921	₱232,855,171

Trade receivables

The trade receivables are noninterest-bearing and collectible within one (1) year which consists of the following:

Receivable from construction and infrastructure

Receivables from construction and infrastructure mainly represent amounts arising from domestic construction contracts which are generally on a 30-day credit term. Prior to January 1, 2018, this account includes retention receivables which are recouped upon the lapse of defect and liability period and the receipt of customer certification that there are no defects on the constructed asset.

Effective January 1, 2018, retention receivables to which the Group's right for consideration is conditioned on the lapse of the defect and liability period and the receipt of customer certification that there are no defects on the constructed asset are presented as part of the contract asset.

Receivables from education
Receivables from education represent amounts arising from tuition and other fees generally collectible within 90 days and from computer and service sales collectible within 30 days.

Receivables from car dealership
Receivables from car dealership represent amounts arising from the sale of car, parts and accessories and services collectible within 30 days.

Receivables from other services
Receivables from other services represent amounts arising from management and consultancy services provided by the Group generally collectible within 30 days.

No trade receivables were used as collaterals to secure obligations as of December 31, 2019 and 2018.

Other receivables
Advances to officers and employees are interest-bearing and repaid on a monthly basis through salary deductions.

Receivables from plant pertain to noninterest-bearing receivables from Honda Cars Philippines, Inc. and Isuzu Philippines Corporation, for promotional subsidy and fleet discounts. Receivables from plant are collectible within a year in the normal course of Group's business.

Receivable from EEI RFI pertains to the Group's sale of land to EEI RFI, a trustee of the Group's employee retirement fund in previous years. Both parties agreed the selling price will be repaid in installments and bear annual interest rate of 5%. In 2016, the Group and the Fund agreed to extend the term of the payment until April 30, 2021 (Note 22). As of December 31, 2019 and 2018, the current portion of receivable amounted to ₱55.0 million while the noncurrent portion of receivable as of December 31, 2019 and 2018 amounted to ₱23.0 million and ₱78.0 million (Note 17), respectively.

Receivable from customers
In 2017, certain trade receivables were reclassified as interest-bearing trade receivables after the Group and the customers agreed to extend the credit terms. These receivables bear interest of 5% per annum and will be repaid in five (5) years' time. As of December 31, 2019 and 2018, the current portion of receivable amounted to ₱35.2 million and ₱65.2 million, respectively, while the noncurrent portion of receivable as of December 31, 2019 and 2018 amounted to ₱51.5 million and ₱88.3 million (Note 17), respectively.

Receivable from sale of investment properties
On December 11, 2017, the Group sold a parcel of land located in Batangas for ₱466.7 million. Both parties agreed the selling price will be settled in eight (8) semi-annual installments and shall bear annual interest rate of 2%. As of December 31, 2019 and 2018, the current portion of receivable amounted to ₱22.8 million and ₱125.8 million, respectively, while the noncurrent portion of receivable as of December 31, 2019 and 2018 amounted to nil and ₱155.2 million (Note 17), respectively.

Loans receivable is composed of receivables of ZIFC which was deconsolidated in July 2019.

Receivables classified as "Others" consist of interest, commission, insurance and various receivables.

8. Contract Assets and Liabilities

Contract Assets

The Group presents contract receivable and retentions withheld by customer as contract assets as the Group's right for consideration is conditioned on the lapse of the defect and liability period and the receipt of customer certification that there are no defects on the constructed asset. These are reclassified as receivables upon the lapse of the defect and liability period and final customer acceptance.

The Group's contract assets amounted to ₱10.0 billion and ₱6.1 billion as of December 31, 2019 and December 31, 2018, respectively. The increase in this account is largely caused by construction works already performed by the Group.

Details of the Group's contract assets as of December 31, 2019 and 2018 are shown below (Note 17).

		2019	
	Current	**Noncurrent** (Note 17)	**Total**
Contract assets	**₱9,492,566,375**	**₱494,075,106**	**₱9,986,641,481**
Less: Allowance for expected credit losses	**9,072,771**	**226,907**	**9,299,678**
	₱9,483,493,604	**₱493,848,199**	**₱9,977,341,803**

		2018	
	Current	Noncurrent (Note 17)	Total
Contract assets	₱4,979,692,385	₱1,152,108,370	₱6,131,800,755
Less: Allowance for expected credit losses	13,257,601	1,624,975	14,882,576
	₱4,966,434,784	₱1,150,483,395	₱6,116,918,179

Movement in the allowance for expected credit losses for the years ended December 31, 2019 and 2018 follows:

		2019	
	Current	**Noncurrent**	**Total**
Balance as at January 1	**₱13,257,601**	**₱1,624,975**	**₱14,882,576**
Reclassification to current portion	**1,398,068**	**(1,398,068)**	**–**
Recovery	**(5,582,898)**	**–**	**(5,582,898)**
Balance as at December 31	**₱9,072,771**	**₱226,907**	**₱9,299,678**

		2018	
	Current	Noncurrent	Total
Balance as at January 1	₱28,779,586	₱757,661	₱29,537,247
Provision (Recovery)	(15,521,985)	867,314	(14,654,671)
Balance as at December 31	₱13,257,601	₱1,624,975	₱14,882,576

Contract Liabilities

Contract liabilities mainly consist of down payments received in relation to construction contracts, unearned tuition fees and accounts payable to students that will be recognized as revenue in the future as the Group satisfies its performance obligations. Payables to students are advance collections from students to be applied to the next school year.

Details of the Group's contract liabilities as of December 31, 2019 are shown below.

	Construction and Infrastructure	Education	Total
Current	₱903,831,183	₱780,706,331	₱1,684,537,514
Non-current	1,820,243,384	–	1,820,243,384
	₱2,724,074,567	₱780,706,331	₱3,504,780,898

The increase in the contract liabilities from construction and infrastructure is largely caused by the deposits and payments from new projects where the related performance obligation has not yet been performed. The increase in contract liabilities from education and information is due mainly from the unearned tuition fees from new subsidiaries acquired due to the merger of IPO and AEI in 2019.

9. Inventories

This account consists of:

	2019	2018
Construction materials	**₱1,309,202,556**	₱1,171,975,517
Merchandise	**812,826,521**	1,198,173,669
Real estate:		
Land and land development	**152,110,988**	152,725,721
Subdivision lots and contracted units for sale	**44,305,060**	76,793,014
Raw lands	**43,121,391**	45,229,389
	239,537,439	274,748,124
Spare parts and supplies	**108,306,374**	145,717,335
	2,469,872,890	2,790,614,645
Less: Allowance for inventory obsolescence	**107,595,425**	96,442,347
	₱2,362,277,465	₱2,694,172,298

Merchandise includes automotive units, parts and accessories, food and beverages, among others.

The Group recognizes inventory write-down whenever the NRV of the existing inventories is lower than its cost.

The total cost of goods sold recognized in the Group's statements of comprehensive income amounted to ₱6,604.4 million, ₱7,281.9 million and ₱10,108.8 million in 2019, 2018 and 2017 respectively (Notes 25 and 26).

The rollforward of allowance for inventory obsolescence is as follows:

	2019	2018
Balance at beginning of year	**₱96,442,347**	₱70,874,400
Provisions (Note 29)	**21,533,760**	31,074,321
Reversals (Note 29)	**–**	(5,506,374)
Write-off	**(10,380,682)**	–
Balances at end of year	**₱107,595,425**	₱96,442,347

The summary of the movement in real estate inventories is set out below:

	2019	2018
Balances at beginning of year	**₱274,748,124**	₱354,152,670
Construction/development costs incurred	**25,703,794**	16,671,157
Cost of real estate sales	**(60,914,479)**	(38,321,997)
Transfer to property and equipment (Note 13)	**–**	(57,753,706)
Balances at end of year	**₱239,537,439**	₱274,748,124

In 2018, a parcel of land with lot size of 183,316 sqm located in Tanza, Cavite previously classified as real estate inventory was transferred to property and equipment as this is being used by the Group to store its construction materials.

No inventories were pledged as security to obligations as of December 31, 2019 and 2018.

10. Prepaid Expenses and Other Current Assets

This account consists of:

	2019	2018
Advances to suppliers and contractors	**₱925,755,733**	₱712,412,784
Creditable withholding taxes	**561,513,235**	367,387,252
Prepaid expenses	**143,786,446**	75,702,134
Miscellaneous deposits	**108,700,012**	87,958,456
Advances to officers and employees	**51,264,303**	30,739,604
Input value added tax (VAT)	**29,585,878**	74,084,987
Restricted cash investment	**27,006,721**	38,601,563
Restricted funds	**21,029,868**	21,356,004
Prepaid taxes	**10,012,749**	9,759,208
Unused office supplies	**7,602,766**	3,620,204
Others	**101,506,527**	47,156,881
	1,987,764,238	1,468,779,077
Less allowance for impairment	**4,910,038**	3,808,458
	₱1,982,854,200	₱1,464,970,619

Advances to suppliers and contractors represent down payment to subcontractors for the contract work to be performed and advance payment for the purchase of various construction materials and machineries and equipment items.

Creditable withholding taxes pertain to the tax withheld at source by the Group's customer and is creditable against the income tax liability.

Prepaid expenses mainly include prepayments for membership fees, subscriptions, rentals and insurance, among others.

Miscellaneous deposits mainly represent the Group's refundable rental, utilities and guarantee deposits on various machinery and equipment items.

Others include financial assets at FVPL, other assets, among others.

11. **Equity Investments at Fair Value through Other Comprehensive Income (FVOCI)**

This account consists of:

	2019	2018
Quoted equity investments	**₱107,292,675**	₱63,140,918
Unquoted equity investments	**1,040,481,131**	911,568,376
	₱1,147,773,806	₱974,709,294

Rollforward analysis of the account follow:

	2019	2018
Balance at beginning of year	**₱974,709,294**	₱959,304,395
Additions	**79,849,592**	22,840,150
Disposals	**(17,481,928)**	–
Fair value changes recognized in other comprehensive income	**110,696,848**	(7,435,251)
Balance at end of year	**₱1,147,773,806**	₱974,709,294

In 2019 and 2018, the Group invested additional ₱79.8 million and ₱22.4 million, respectively, in various quoted and unquoted equity instruments.

In May 2019, IPO sold it shares in PetroEnergy Resources Corporation for ₱17.5 million and the loss on disposal was recorded at ₱1.3 million.

Movements in the fair value reserve recognized in other comprehensive income are as follows:

	2019	2018
Attributable to equity holders of the parent:		
Balance at beginning of year	**₱259,855,707**	₱92,353,352
Income recognized in OCI	**51,238,445**	167,502,355
Balance at end of year	**311,094,152**	259,855,707
Non-controlling interests:		
Balance at beginning of year	**202,090,420**	8,331,187
Income recognized in OCI	**38,854,987**	193,759,233
Balance at end of year	**240,945,407**	202,090,420
	₱552,039,559	₱461,946,127

The Group elected to present the fair value changes of all its equity investments in other comprehensive income because it does not intend to hold these investments for trading.

The fair value of the Group's unquoted equity investments is either determined using the adjusted net asset approach wherein the assets are adjusted from cost to their fair value or using the discounted cash flow model. The valuation was performed by an independent SEC-accredited appraiser/third party professional services firm as of December 31, 2019 .

Dividends earned from equity investments at FVOCI amounted to ₱53.4 million and ₱0.6 million in 2019 and 2018, respectively. Dividends earned from AFS financial assets amounted to ₱1.0 million in 2017.

No equity investments at fair value through other comprehensive income (FVOCI) were pledged as security to obligations as of December 31, 2019 and 2018.

12. Investments in Associates and Joint Venture

The rollforward analysis of this account follows:

	2019	2018
Acquisition cost:		
Balances at beginning of year	**₱4,622,763,779**	₱4,114,397,589
Additions	**261,944,096**	508,366,190
Reclassification	**(43,071,161)**	–
Balance at end of year	**4,841,636,714**	4,622,763,779
Accumulated impairment loss	**74,536,609**	74,536,609
Accumulated equity in net earnings:		
Balance at beginning of year	**742,132,503**	642,289,767
Equity in net earnings	**727,820,626**	255,783,370
Reclassification	**(14,936,749)**	–
Dividends received	**(192,099,881)**	(155,940,634)
Balance at end of year	**1,262,916,499**	742,132,503
Subtotal	**6,030,016,604**	5,290,359,673
Share in other comprehensive income of an associate	**55,887,540**	64,571,875
Cumulative translation adjustment	**107,147,212**	151,023,452
	₱6,193,051,356	₱5,505,955,000

The details of significant investments accounted for under the equity method are as follows:

(Amounts in millions)

	2019						
	RRC	**PERC**	**MMPC**	**ARCC**	**PSOC**	**PWEI**	**SHEC**
Acquisition cost:							
Balance, January 1	**₱959**	**₱871**	**₱120**	**₱1,626**	**₱542**	**₱257**	**₱–**
Additions	**–**	**18**	**–**	**–**	**148**	**–**	**21**
Balance, December 31	**959**	**889**	**120**	**1,626**	**690**	**257**	**21**
Accumulated equity in net earnings (losses):							
Balance, January 1	**419**	**307**	**337**	**(685)**	**212**	**114**	**–**
Equity in net earnings (losses)	**151**	**81**	**116**	**213**	**88**	**46**	**(1)**
Dividends declared	**(90)**	**–**	**(22)**	**–**	**(33)**	**(30)**	**–**
Balance, December 31	**480**	**388**	**431**	**(472)**	**267**	**130**	**(1)**
Subtotal	**1439**	**1,277**	**551**	**1,154**	**957**	**387**	**20**
Accumulated share in other comprehensive income:							
Balance, January 1	**603**	**72**	**–**	**1**	**–**	**–**	**–**
Share in cumulative translation adjustments	**–**	**–**	**–**	**(9)**	**–**	**–**	**–**
Balance, December 31	**603**	**72**	**–**	**(8)**	**–**	**–**	**–**
Equity in cumulative translation adjustments	**–**	**–**	**–**	**144**	**–**	**–**	
	₱2,042	**₱1,349**	**₱551**	**₱1,290**	**₱957**	**₱387**	**₱20**

	2018					
	RRC	PERC	MMPC	ARCC	PSOC	PWEI
Acquisition cost:						
Balance, January 1	₱959	₱538	₱120	₱1,626	₱366	₱257
Additions	–	333	–	–	176	–
Balance, December 31	959	871	120	1,626	542	257
Accumulated equity in net earnings (losses):						
Balance, January 1	356	196	250	(396)	159	53
Equity in net earnings (losses)	123	119	136	(289)	102	60
Dividends declared	(60)	(8)	(22)	–	(48)	–
Balance, December 31	419	307	364	(685)	213	113
Subtotal	1378	1178	484	941	755	370
Accumulated share in other comprehensive income:						
Balance, January 1	–	64	–	–	–	–
Share in remeasurement loss on retirement liability	–	1	–	1	–	–
Share in cumulative translation adjustments	–	7	–	–	–	–
Balance, December 31	–	72	–	1	–	–
Equity in cumulative translation adjustments	–	–	–	187	–	–
	₱1378	₱1250	₱484	₱1,129	₱755	₱370

PERC
The shares of capital stock of PERC are listed with Philippine Stock Exchange.

In April 2019, the Parent Company purchased additional 4,153,651 shares amounting to ₱17.8 million, resulting to an increase in ownership interest from 28.36% to 29.10%.

On February 2, 2018, the Parent Company purchased additional 69,285,418 shares amounting for ₱332.6 million on ₱4.8 per share resulting to an increase in ownership interest from 22.41% to 28.36%.

Its share price amounted to ₱4.1 per share and ₱3.5 per share as of December 29, 2019 and 2018, respectively.

RRC
RRC was incorporated on July 29, 1997 and is presently engaged in developing real estate and leasing condominium units for commercial and/or residential purposes.

MMPC
MMPC was incorporated and registered with the SEC on September 26, 1962 primarily to engage in development and sale of memorial lots.

ARCC
In 2017, the stockholders of ARCC extended advances amounting to ₱1,620.8 million (SAR121.75 million) to ARCC to refinance the associate's maturing bank loan and other funding requirements. The amount of the extended loan is proportionate to the ownership interests of the stockholders. Subsequently, the stockholders agreed to treat the ₱1,591.5 million (SAR121.75 million) loan as non-refundable Shareholders' funding in the statement of equity of ARCC. Consequently, the ₱794.2 million (SAR59.66 million) advances extended by the Group to ARCC was reclassified as additional investment in ARCC.

PSOC
In 2019 and 2018, the Group, through EEI made an additional investment of ₱148.3 million and ₱175.8 million respectively, in PSOC. These transactions did not result to a change in the 44% ownership of the Group over PSOC.

PWEI
In 2013, the Group, through EEI Power acquired 20% stake in PWEI for ₱118.75 million. PWEI has a wind energy project in Nabas, Aklan.

PWEI is owned 40% by PERC, 40% by BCPG Wind Cooperatief U.A. and 20% by EEI. BCPG Wind Cooperatief U.A. bought out the other shareholder (CapAsia ASEAN Wind Holdings Cooperatief U.A.) on May 16, 2017.

SHEC
SHEC was incorporated on July 26, 2019 primarily to engage in the business of managing the operation of used and new construction equipment rental and used and new construction equipment wholesale business in the Philippines and import and export of used and new construction equipment without engaging in retail trading.

As of December 31, 2019 and 2018, no investments in asssociates were pledged as security to obligations.

The reconciliation of the net assets of the associates and joint ventures to the carrying amounts of the interests in significant associates and joint ventures recognized in the consolidated financial statements is as follows (in hundred thousands):

	2019						
	RRC	**PERC**	**MMPC**	**ARCC**	**PSOC**	**PWEI**	**SHEC**
Net assets*	**₱14,460**	**₱4,388**	**₱2,120**	**₱2,633**	**₱2,176**	**₱1,935**	**₱50**
Proportionate ownership in the associate	**10.00%**	**29.10%**	**25.98%**	**49.00%**	**44.00%**	**20.00%**	**40.00%**
Share in net identifiable assets	**1,446**	**1,277**	**551**	**1,290**	**957**	**387**	**20**
Premium	**603**	**72**	**–**	**–**	**–**	**–**	**–**
Carrying value	**₱2,049**	**₱1,349**	**₱551**	**₱1,290**	**₱957**	**₱387**	**₱20**

**Excluding treasury shares and non-controlling interest*

	2018					
	RRC	PERC	MMPC	ARCC	PSOC	PWEI
Net assets*	₱7,753	₱4,320	₱1,566	₱2,305	₱1,313	₱1,853
Proportionate ownership in the associate	10.00%	28.36%	25.98%	49.00%	44.00%	20.00%
Share in net identifiable assets	775	1,225	407	1,129	578	370
Share in deposits for future stock subscription	–	–	–	–	176	–
Transaction costs	–	–	–	–	1	–
Premium	603	25	77	–	–	–
Carrying value	₱1,378	₱1,250	₱484	₱1,129	₱755	₱370

**Excluding treasury shares and non-controlling interest*

Summarized financial information of the Group's significant associates and joint venture are as follows:

	2019						
	RRC	**PERC**	**MMPC**	**ARCC**	**PSOC**	**PWEI**	**SHEC**
Current assets	**₱1,318**	**₱2,150**	**₱1,730**	**₱4,638**	**₱504**	**₱790**	**₱43**
Noncurrent assets	**6,170**	**11,204**	**1,384**	**1,398**	**3,707**	**3,629**	**26**
Total assets	**₱7,488**	**₱13,354**	**₱3,114**	**₱6,036**	**₱4,211**	**₱4,419**	**₱69**
Current liabilities	**2,012**	**1,573**	**831**	**2,165**	**278**	**466**	**2**
Noncurrent liabilities	**3,322**	**4,518**	**438**	**1,239**	**1,757**	**2,018**	**–**
Total liabilities	**₱5,334**	**₱6,091**	**₱1,269**	**₱3,404**	**₱2,035**	**₱2,484**	**₱2**
Revenues	**₱2,851**	**₱2,122**	**₱1,135**	**₱8,752**	**₱642**	**₱796**	**₱–**
Cost	**(804)**	**(1,106)**	**(419)**	**(7,778)**	**(115)**	**(154)**	**–**
Gross margin	**2,047**	**1,016**	**716**	**974**	**527**	**642**	**–**
Selling and administrative, and other expenses	**(121)**	**(471)**	**(143)**	**(430)**	**(316)**	**(410)**	**(2)**
Pre-tax income (loss)	**₱1,926**	**₱545**	**₱573**	**₱544**	**₱211**	**₱232**	**(₱2)**
Proportionate ownership in the associate	**10.00%**	**29.10%**	**25.98%**	**49.00%**	**44.00%**	**20.00%**	**20.00%**
Share in pre-tax income (loss)	**193**	**159**	**149**	**266**	**93**	**46**	**(1)**
Income tax	**(42)**	**(5)**	**(33)**	**(53)**	**(5)**	**–**	**–**
Non-controlling interest	**–**	**(235)**	**–**	**–**	**–**	**–**	**–**
Equity in net earnings (losses)	**₱151**	**₱81**	**₱116**	**₱213**	**₱88**	**₱46**	**(₱1)**
Dividends received	**₱90**	**₱–**	**₱22**	**₱–**	**₱33**	**₱30**	**₱–**

	2018					
	RRC	PERC	MMPC	ARCC	PSOC	PWEI
Current assets	₱1,275	₱2,323	₱1,930	₱6,848	₱864	₱829
Noncurrent assets	12,460	8,287	716	821	2,792	3,757
Total assets	₱13,735	₱10,610	₱2,646	₱7,669	₱3,656	₱4,586
Current liabilities	1,903	1,253	763	2,765	663	466
Noncurrent liabilities	4,079	5,037	317	2,599	1,680	2,267
Total liabilities	₱5,982	₱6,290	₱1,080	₱5,364	₱2,343	₱2,733
Revenues	₱2,534	₱2,139	₱1,332	₱7,680	₱615	₱848
Cost	(765)	(1,045)	(369)	(7,491)	(214)	(349)
Gross margin	1,769	1,094	963	189	401	499
Selling and administrative, and other expenses	(215)	(381)	(416)	(592)	(157)	(196)
Pre-tax income (loss)	₱1,554	₱713	₱547	(₱403)	₱244	₱303
Proportionate ownership in the associate	10.00%	28.36%	25.98%	49.00%	44.00%	20.00%
Share in pre-tax income (loss)	155	71	142	(197)	107	60
Income tax	(32)	(5)	(6)	(92)	(5)	–
Non-controlling interest	–	(185)	–	–	–	–
Equity in net earnings (losses)	₱123	₱119	₱136	(₱289)	₱102	₱60
Dividends received	₱60	₱8	₱22	₱–	₱48	₱–

13. Property and Equipment

Property and equipment at revalued amount
Movements in the revalued land are as follows:

	2019	2018
Balance at beginning of year	**₱7,023,425,494**	₱6,312,509,812
Additions:		
Acquisition	**2,038,084,517**	240,334,088
Appraisal increase	**124,414,373**	470,581,594
Balance at end of year	**₱9,185,924,384**	₱7,023,425,494

Land at revalued amounts consists of owner-occupied property wherein the car dealership showroom, school buildings, and other facilities are located.

The Parent Company owns a parcel of 7,304 sqm land located in Quezon Avenue, Quezon City wherein the car dealership showroom was erected.

On October 26, 2017, HI acquired a parcel of 5,114 sqm land located in Sta. Cruz, Makati City for ₱951.5 million where a new office building will be erected and will be used for administrative purposes. In 2018, the Parent Company sold to MESI the said property.

As of December 31, 2019 and 2018, the appraised values of the parcels of land were determined using the market approach which is a valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable assets and adjusted to reflect differences on size, shape and terrain and location among others. The significant unobservable valuation input is price per square meter (level 3 - Significant unobservable inputs). The parcels of land were valued in terms of their highest and best use. The valuation was performed by an independent SEC-accredited appraiser as of December 31, 2019.

Below is a listing of the properties owned by the Group together with the description of the valuation techniques used and key inputs to valuation of land:

Location	**Valuation Techniques**	**Unobservable Inputs Used**	**Range (Weighted Average)** **2019**	 2018
Quezon and Panay Avenue, Quezon City	Market Approach	Price per square meter	**₱120,000 to ₱250,000 (₱94,800)**	₱100,000 to ₱154,500 (₱89,000)
Barangay Tuding, Itogon, Benguet	Market Approach	Price per square meter	**₱6,864 to ₱7,220 (₱7,000)**	₱6,864 to ₱7,220 (₱7,000)
Barangay Sta. Maria, Itogon and Bolo Bauan, Batangas	Market Approach	Price per square meter	**₱4,275 to ₱6,413 (₱5,400)**	₱5,526 to ₱4,005 (₱7,000)
Barangay Biga I, Silang, Province of Cavite	Market Approach	Price per square meter	**₱7,600 to ₱8,479 (₱8,000)**	₱8,000 to ₱5,000 (₱5,200)
Barangay Majada Labas, Calamba, Laguna	Market Approach	Price per square meter	**₱3,325 to ₱6,688 (₱4,600)**	₱2,520 to ₱5,670 (₱4,300)
Makati and Intramuros, Manila	Market Approach	Price per square meter	**₱40,500 to ₱273,125**	₱42,025 to ₱227,500
Cabuyao, Laguna	Market Approach	Price per square meter	**₱8,016 to ₱14,963**	₱8,289 to ₱31,350
Davao City, Davao Del Sur	Market Approach	Price per square meter	**₱12,339 to 39,738**	₱13,968 to ₱40,000
Pandacan, Metro Manila	Market Approach	Price per square meter	**₱51,300 to ₱76,950**	₱56,525 to ₱68,400
San Jose Del Monte City, Bulacan	Market Approach	Price per square meter	**₱47,025 to 58,500**	n/a
Naga City, Camarines Sur	Market Approach	Price per square meter	**₱2,748 to ₱6,804**	n/a
Quiapo, Manila	Market Approach	Price per square meter	**₱72,896 to 113,797**	n/a

Net adjustment factors arising from external and internal factors (i.e. market conditions, competitiveness, size/shape/terrain, and development) affecting the subject properties as compared to the market listing of comparable properties ranges from -30% to +35% in 2019 and from -20% to +20% in 2018.

Significant increases (decreases) in estimated price per square meter would result in a significantly higher (lower) fair value of the land.

In 2019, 2018 and 2017, the Group revalued its land based on the appraisals made by SEC accredited appraisers. Movements in revaluation increment on land, net of deferred tax effect, for the years ended December 31 follow:

	2019	2018	2017
Beginning of year	**₱2,244,706,485**	₱1,837,421,370	₱1,489,905,172
Revaluation increment	**87,442,464**	407,285,115	347,516,198
End of year	**₱2,332,148,949**	₱2,244,706,485	₱1,837,421,370

As of December 31, 2019 and 2018, the cost of the parcels of land carried at revalued amounts amounted to ₱5,757 million and ₱3,719 million, respectively.

Property and equipment at cost

The rollforward analysis of this account follows:

	2019					
	Buildings and Improvements	**Machinery, Tools and Construction Equipment**	**Transportation and Service Equipment**	**Furniture, Fixtures, and Office Equipment**	**Construction in Progress**	**Total**
Cost						
At beginning of year	**₱4,290,357,917**	**₱6,204,616,227**	**₱1,389,379,772**	**₱2,658,177,122**	**₱89,872,543**	**₱14,632,403,581**
Acquisitions/additions from business combination	**1,641,996,921**	**193,959,362**	**92,836,246**	**707,343,091**	**860,976,223**	**3,497,111,843**
Disposals	**(42,306,460)**	**(615,422,065)**	**(43,467,297)**	**(5,047,256)**	**–**	**(706,243,078)**
Reclassifications	**70,473,940**	**469,099,109**	**–**	**(466,483,807)**	**(73,089,242)**	**–**
At end of year	**5,960,522,318**	**6,252,252,633**	**1,438,748,721**	**2,893,989,150**	**877,759,524**	**17,423,272,346**
Accumulated Depreciation and Amortization						
At beginning of year	**1,745,169,128**	**2,560,444,812**	**760,429,142**	**2,034,942,044**	**–**	**7,100,985,126**
Depreciation and amortization (Note 30)	**204,356,049**	**520,587,890**	**139,710,197**	**247,981,182**	**–**	**1,112,635,318**
Disposals/retirements	**89,566,980**	**(132,371,472)**	**(62,348,393)**	**(59,879,542)**	**–**	**(165,032,427)**
Additions from business combination	**183,761,466**	**–**	**7,655,339**	**374,349,971**	**–**	**565,766,776**
Reclassifications	**–**	**405,112,230**	**–**	**(405,112,230)**	**–**	**–**
At end of year	**2,222,853,623**	**3,353,773,460**	**845,446,285**	**2,192,281,425**	**–**	**8,614,354,793**
Net Book Value at Cost	**₱3,737,668,695**	**₱2,898,479,173**	**₱593,302,436**	**₱701,707,725**	**₱877,759,524**	**₱8,808,917,553**

	2018					
	Buildings and Improvements	Machinery, Tools and Construction Equipment	Transportation and Service Equipment	Furniture, Fixtures, and Office Equipment	Construction in Progress	Total
Cost						
At beginning of year	₱3,117,422,633	₱4,901,377,474	₱1,388,034,898	₱2,324,244,550	₱1,016,737,644	₱12,747,817,199
Additions	–	776,255,794	14,356,481	259,503,067	264,137,149	1,314,252,491
Disposals/retirements	–	(9,985,585)	(30,599,745)	(3,381,323)	–	(43,966,653)
Reclassifications	1,122,181,578	–	1,322,880	67,473,103	(1,191,002,250)	(24,689)
Transfer in (Note 9)	57,753,706	536,968,544	16,265,258	10,337,725	–	621,325,233
Transfer out	(7,000,000)	–	–	–	–	(7,000,000)
At end of year	4,290,357,917	6,204,616,227	1,389,379,772	2,658,177,122	89,872,543	14,632,403,581
Accumulated Depreciation and Amortization						
At beginning of year	1,593,075,002	2,110,460,155	656,955,889	1,801,485,873	–	6,161,976,919
Depreciation and amortization (Note 30)	152,790,278	469,868,075	133,693,797	226,622,710	–	982,974,860
Disposals/retirements	–	(9,985,585)	(30,599,745)	(3,381,323)	–	(43,966,653)
Reclassifications	(696,152)	(9,897,833)	379,201	10,214,784	–	–
At end of year	1,745,169,128	2,560,444,812	760,429,142	2,034,942,044	–	7,100,985,126
Net Book Value at Cost	₱2,545,188,789	₱3,644,171,415	₱628,950,630	₱623,235,078	₱89,872,543	₱7,531,418,455

The distribution of the depreciation and amortization expenses of the Group's property and equipment follows:

	2019	2018	2017
Cost of sales and services			
Construction contracts (Note 27)	**₱505,054,894**	₱533,700,871	₱471,687,826
Tuition and other fees (Note 28)	**273,365,949**	187,605,487	194,769,392
Manpower and other services (Note 27)	**85,027,698**	48,899,277	58,781,486
Capitalized as part of cost of inventories	–	554,093	493,326
	863,448,541	770,759,728	725,732,030
General and administrative expenses (Note 29)	**249,186,777**	212,215,132	177,276,099
	₱1,112,635,318	₱982,974,860	₱903,008,129

Construction in progress mainly includes the general cost of construction of MCI's school building in Makati City and other direct cost.

14. **Leases**

Group as a lessor
IPO Group's Intramuros and Makati campuses lease spaces to Digital Telecommunications Philippines or Digitel, IMI and Bell Telecommunication Philippines, Inc. The lease terms cover lease periods of between three (3) years to ten (10) years with escalation rates ranging from 3.00% to 10.00%.

The future minimum rentals receivable under the aforementioned lease agreements follow:

	2019	2018
Within one year	**₱790,614**	₱1,750,332
More than one year but not more than five years	**4,036,164**	4,005,587
Later than five years	**1,273,292**	1,369,753
	₱6,100,070	₱7,125,672

Group as a lessee
The Group has lease contracts for various items of land, improvements, office spaces, warehouses, school sites and annexes and other equipment used in its operations, among others. Leases of land, improvements and school sites generally have lease terms between 4 and 66 years, while other equipment generally have lease terms between 1 and 3 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. There are several lease contracts that include extension and termination options and variable lease payments, which are further discussed below.

The Group also has certain leases with lease terms of 12 months or less and leases of office equipment with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

a. On January 18, 2019, the Parent Company entered into a lease agreement with Grepa Realty Holdings Corporation for lease of an office space for a period of one (1) year, commencing on January 1, 2019 and until December 31, 2019. The contract may be renewed upon such terms and conditions as may be mutually agreed upon by the parties. The Parent Company availed short-term exemption for the lease agreement and incurred rent expenses amounting to ₱1.7 million and ₱1.1 million in 2019 and 2018, respectively.

b. Starting January 2007, EEI and EEI Retirement Fund, Inc. (RFI) entered into a lease agreement for the lease of land and improvements. The lease terms are for one year and renewable every year with 5% increase effective January 1, 2014.

c. EEI Group leases a staff house which it occupies for its operations for a period of two years, both parties has the option to renew as per agreement. EEI Group entered into a lease contract covering the period of July 2, 2019 to July 2, 2020.

d. EEI Group leases a lot and offices which it occupies for its operations during the period of the projects of the Group with option to renew as per agreement. The Group entered into a lease contract covering the period of October 16, 2011 to October 15, 2014. The contract has a rate of ₱450 per square meter for the first two years and ₱460 per square meter for the third year.

e. In May 2016, EEI Group entered into a lease agreement for a period of five (5) years commencing on July 7, 2016 and expired on July 6, 2021. The leased premises has an escalation of 10% on the rent starting the second year. In April 2016, the EEI Group renewed the lease for a period of three (3) years commencing on April 16, 2014 to April 15, 2019. The lease contract has a rate of ₱630 per square meter for the first year and 5% yearly increase thereafter.

f. IPO Group leases staffhouses for a period of one (1) year that are renewable annually upon mutual agreement of IPO Group and its lessors. Monthly lease payments range from ₱14,000 to ₱65,000.

g. Landev Corporation entered into lease agreements that are renewable upon mutual agreement of Landev Corporation and the lessors:

Lessor	**Commencement date**	**Term**	**Monthly Rental**
Grepa Realty Holdings Corporation	January 1, 2019	1 year	₱399,168
Rizal Commercial Banking Corporation	October 5, 2018	1 year	2,602
Rizal Commercial Banking Corporation	July 25, 2017	3 years	93,756*
RCBC Savings Bank	January 1, 2015	5 years	6,300*

**subject to 5% annual escalation rate*

Rent expense recognized in 2019 and 2018 amounted ₱6.45 million and ₱6.15 million, respectively.

Future minimum lease payments of above lease agreements as at December 31 are as follows:

	2019	2018
Within one year	**₱728,554**	₱1,332,896
After one year but not more than five years	–	687,150
	₱728,554	₱2,020,046

h. The Greyhounds Security and Investigation Agency Corporation entered into an agreement with Grepa Realty Holdings Corporation for the lease of office space. The lease is renewable annually upon mutual agreement by both parties. Rent expense recognized in 2019 and 2018 amounted to ₱0.64 million and ₱0.59 million, respectively.

i. In 2011, IMI entered into lease agreements with Mapua Information Technology Centers, Inc., Malayan Colleges, Inc. and Malayan High School of Science for canteen spaces. In 2016, the Company started to lease a canteen space from Malayan Colleges Laguna, Inc. These lease agreements cover a period of one year with monthly lease payments ranging from ₱4,464 to ₱165,934.

j. Hexagon Lounge, Inc. entered into a lease agreement for the lounge and office space it occupies. The lease is renewable annually as may be mutually agreed upon by the parties with monthly minimum lease payments of ₱10,000 or 2% of net restaurant sales, whichever is higher.

The carrying amount of right-of-use assets and the movement during the period are as follows:

Balance at beginning of the year	₱–
Effect of adoption of PFRS 16 (Note 3)	1,378,023,041
Balance at beginning of the year, as restated	1,378,023,041
Additions during the year	474,569,625
Amortization of right-of-use asset	(246,866,013)
Balance at end of the year	₱1,605,726,653

The distribution of the amortization of the Group's right-of-use assets follow:

Cost of sales and services	
Construction contracts	₱43,008,349
Tuition and other fees	63,477,198
	106,485,547
General and administrative expenses	140,380,466
	₱246,866,013

The carrying amount of lease liability and the movement during the period are as follows:

	Current	Noncurrent
Balance at beginning of the year	₱–	₱–
Effect of adoption of PFRS 16 (Note 3)	245,915,345	1,190,214,802
Balance at beginning of the year, as restated	245,915,345	1,190,214,802
Additions during the year	310,803,183	133,033,160
Interest expense	79,459,539	–
Payments	(420,761,700)	–
	₱215,416,367	₱1,323,247,962

The following are the amounts recognized in consolidated statement of income:

	2019
Amortization of right-of-use assets	₱246,866,013
Interest expense on lease liabilities	79,459,539
Expenses relating to short-term leases and low-value assets	25,919,076
	₱352,244,628

15. **Goodwill**

The carrying amount of goodwill allocated to each of the CGUs follows:

	2019	2018
EEI Corporation and Subsidiaries	**₱300,859,305**	₱300,859,305
IPO	**32,644,808**	32,644,808
Malayan Education System, Inc. (MESI) (formerly Malayan Colleges, Inc.)	**137,853,346**	137,853,346
Business combination of IPO and AEI	**13,472,260**	–
	₱484,829,719	₱471,357,459

Goodwill of EEI and IPO
Management determined that the recoverable amount of the goodwill balances of EEI and IPO were fair values less costs of disposal wherein the fair values are the quoted prices of the shares of stocks of EEI and IPO in the Philippine Stock Exchange as of December 31, 2019 and 2018 and incorporated control premium in the said fair values (Level 3 - Significant unobservable inputs). Management assessed that the costs of disposal, which mainly consist of the stock transaction tax, brokers' commission and transaction fee with the stock exchange to be insignificant.

Goodwill of Malayan Education System, Inc. (MESI) (formerly Malayan Colleges, Inc.)
The goodwill recognized in the consolidated statement of financial position amounting ₱151.33 million and ₱137.85 million as at December 31, 2019 and 2018 pertains to the excess of the acquisition cost over the fair values of the net assets of MESI acquired by the Group through IPO in 1999 amounting to ₱137.85 million.

For purposes of impairment testing of this asset, MESI was considered as the CGU.

Goodwill arising from Business Combination
On October 1, 2018, the BOD of IPO executed a MOA for a proposed Plan of Merger between IPO and AEI with IPO as the surviving entity with HI and AC owning 48.18% and 33.5%, respectively. The merger would bring together the educational groups of HI and AC.

On April 24, 2019, the SEC approved the merger between IPO and AEI, with IPO as the surviving entity, and to take effect five business working days thereafter or May 2, 2019. On said date, IPO issued 295,329,976 common shares from its unissued capital stock to AC, the parent company of AEI. IPO being the surviving corporation is deemed to have acquired all the assets and to have assumed all the liabilities of AEI in a business combination accounted for under the acquisition method. In exchange for the transfer of the net assets of AEI to IPO, the latter issued to AC an aggregate of 295,329,976 shares with par value of ₱1.0 per share for a total fair value of ₱3.6 billion based on IPO's quoted closing rate per share as of May 2, 2019. The excess of the fair value of shares issued over the par value was recognized as additional paid-in capital by IPO.

Assets acquired from AEI includes investments in the following subsidiaries:

Subsidiaries	Ownership Interest
Affordable Private Education Center, Inc. doing business under the name of APEC Schools (APEC)	100.00%
National Teachers College doing business under the name/s and style/s of The National Teachers College (NTC)	99.79%
University of Nueva Caceres (UNC)	58.63%
AC College of Enterprise and Technology, Inc. (ACCET)	100.00%
LINC Institute, Inc. Doing Business under the Name and Style of LINC Academy (LINC)	100.00%

The purchase price allocation has been finalized. The fair values of the identifiable assets and liabilities acquired and goodwill arising as at the date of acquisition follows (amounts in thousands):

Assets	
Cash and cash equivalents	₱1,291,500
Trade and other receivables	231,421
Other current assets	188,222
Land (Note 11)	2,038,085
Property, plant and equipment (Note 10)	725,681
Right-of-use assets (Note 31)	363,029
Intellectual property rights	523,103
Student relationship	116,009
Other noncurrent assets	102,717
	5,579,767
Liabilities	
Accounts and other payables	₱319,124
Loans payable	260,000
Deferred tax liabilities	432,946
Leased liabilities (Note 31)	374,622
Other liabilities	77,815
	1,464,507
Total identifiable net assets at fair value	4,115,260
Non-controlling interest	(537,520)
Goodwill	13,472
Cost of acquisition	₱3,591,213

The goodwill arising from the merger between IPO and AEI on May 2, 2019 amounted to ₱13.47 million.

In 2019 and 2018, management assessed that no impairment loss should be recognized.

Key assumptions used in the value in use (VIU) calculation
As at December 31, 2019 and 2018, the recoverable amount of the CGU has been determined based on a VIU calculation using five-year cash flow projections. Key assumptions in the VIU calculation of the CGU are most sensitive to the following:

- Future revenues, profit margins and revenue growth rates: Cash flow projections based on financial budgets approved by management covering a five-year period (2019-2023) and considers the impact of the K to 12 Basic Education Program on MESI's financial performance effective 2016.
- Long-term growth rates (3.73% for 2019 and 3.67% for 2018): The Long-term growth rate is the expected growth rate in the education industry sector.
- Discount rate (8.3% for 2019 and 10.10% for 2018): The discount rate used for the computation of the net present value is the weighted average cost of capital and was determined by reference to Parent Company's capital structure.

Sensitivity to changes in assumptions
Management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of goodwill to materially exceed its recoverable amount.

16. **Investment Properties**

The rollforward analysis of this account follows:

	2019		
	Land Held for Capital Appreciation	**Condominium Units and Parking Slots**	**Total**
Cost			
Balances at beginning of year	**₱17,399,238**	**₱4,742,917**	**₱22,142,155**
Disposals	**(188,000)**	**(350,000)**	**(538,000)**
Balances at end of year	**17,211,238**	**4,392,917**	**21,604,155**
Accumulated Depreciation			
Balances at beginning of year	**–**	**3,985,137**	**3,985,137**
Depreciation (Note 29)	**–**	**17,500**	**17,500**
Disposals	**–**	**(87,500)**	**(87,500)**
Balances at end of year	**–**	**3,915,137**	**3,915,137**
Net Book Value	**₱17,211,238**	**₱477,780**	**₱17,689,018**

	2018		
	Land Held for Capital Appreciation	Condominium Units and Parking Slots	Total
Cost			
Balances at beginning of year	₱13,680,421	₱11,759,375	₱25,439,796
Additions	–	3,250,000	3,250,000
Impairment loss	(1,800,309)	–	(1,800,309)
Reclassification	7,000,000	–	7,000,000
Disposals	(1,480,874)	(10,266,458)	(11,747,332)
Balances at end of year	17,399,238	4,742,917	22,142,155
Accumulated Depreciation			
Balances at beginning of year	–	6,724,293	6,724,293
Depreciation (Note 29)	–	346,234	346,234
Disposals	–	(3,085,390)	(3,085,390)
Balances at end of year	–	3,985,137	3,985,137
Net Book Value	₱17,399,238	₱757,780	₱18,157,018

Land classified as investment properties include parcels of land located in Benguet, Cavite, Nueva Ecija, Bulacan, memorial lots in Las Piñas and memorial lots in Taguig with carrying values of ₱6.6 million, ₱0.5 million, ₱0.2 million, ₱7.0 million, ₱0.9 million and ₱2.0 million, respectively, as of December 31, 2019. Carrying values of parcels of land located in Benguet, Cavite, Nueva Ecija, Bulacan, memorial lots in Las Piñas and memorial lots in Taguig were ₱6.6 million, ₱0.5 million, ₱0.2 million, ₱7.0 million, ₱1.1 million and ₱2.0 million, respectively, as of December 31, 2018.

As of December 28, 2018, the fair value of the land, including residential building, in Benguet amounted to ₱16.6 million, which was determined based on valuation performed by an independent SEC accredited appraiser whose report was dated February 11, 2019. The fair value of the land was determined using the market approach which is a valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable assets and adjusted to reflect differences on size, and shape (Level 3 - Significant unobservable inputs).

In 2019, the Group has determined that the fair value of the properties has not significantly changed.

The fair values of the aforementioned investment property were determined using the market approach which is a valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable assets and adjusted to reflect differences on size, location, frontage/visibility, view and utilization (Level 3 - Significant unobservable inputs).

Rental income derived from the investment properties amounted to ₱0.3 million, ₱6.8 million, and ₱6.9 million in 2019, 2018 and 2017, respectively. Total direct operating expenses incurred in relation to these investment properties amounted to ₱0.1 million in 2019, ₱0.4 million in 2018 and ₱0.6 million in 2017.

None of the investment properties were pledged as a security to obligations as of December 31, 2019 and 2018.

17. Other Noncurrent Assets

This account consists of:

	2019	2018
Contract asset- net of current portion (Note 8)	**₱493,848,199**	₱1,150,483,395
Intellectual property rights (Note 15)	**523,103,000**	–
Deferred input VAT	**181,103,198**	215,311,643
Student relationship (Note 15)	**101,135,343**	–
Interest-bearing trade receivables- net of current portion (Note 7)	**51,479,840**	88,307,263
Miscellaneous deposit	**27,489,054**	455,304
Receivable from EEI-RFI - net of current portion (Notes 7)	**23,000,000**	78,000,000
Computer software	**15,872,318**	14,298,226
Deposit for future subscription of shares of stock	**450,000**	80,999,919
Receivable from sale of investment property - net of current portion (Note 7)	**–**	155,245,566
Others	**88,043,443**	34,145,711
	₱1,505,524,395	₱1,817,247,027

Intellectual property rights and student relationship are the intangible assets acquired in May 2019 through the merger between IPO and AC Education, Inc. (AEI), the wholly owned education arm of Ayala Corporation (Note 15).

Miscellaneous deposits include rental and security deposits.

Rollforward of computer software follows:

	2019	2018
Cost		
Balance at the beginning of the year	**₱131,540,217**	₱123,869,766
Additions	**8,195,665**	7,670,451
Balance at the end of the year	**139,735,882**	131,540,217
Accumulated Amortization		
Balance at the beginning of the year	**117,241,991**	110,393,578
Amortization (Note 30)	**6,621,573**	6,848,413
Balance at the end of the year	**123,863,564**	117,241,991
Net Book Value	**₱15,872,318**	₱14,298,226

As of December 31, 2019, the average remaining useful of the software is one (1) year.

Deposit for Future Subscription of Shares of Stock of BiotechJP Corp.
In November 2018, EEI Corporation deposited ₱81.0 million with BiotechJP Corp. in exchange for 60% ownership in the latter. BiotechJP Corp. is in the business of manufacturing food and therapeutic food. Management is in the position that the Group has not obtained control over BiotechJP in 2018 because the Group can only exercise its right as a stockholder owning 60% equity interest in BiotechJP upon receipt of the shares of capital stock of the investee.

In August 2019 (acquisition date), the Group reclassified the deposit to investment in subsidiary upon receipt of stock certificate of BiotechJP. The Group accounted for the investment as investment in subsidiary with its 60% interest.At date of acquisition, the Group recognized net assets acquired at fair value of ₱35.53 million. Non-controlling interet in BiotechJP was also recognized at the proportionate share of its interest in the BiotechJP's identifiable net assets. The net assets recognized were based on provisional assessment of their fair value while the Group sought an independent valuation of net assets of BiotechJP. Also, the Group attributes the excess of the acquisition cost over the fair value of the net assets acquired amounting to ₱45.47 million to goodwill and was recorded at net recoverable amount as at December 31, 2019.

In 2019, BiotechJP deposited ₱0.45 million with BEO Distribution and Marketing Corporation (BEO DMC) in exchange for 30% ownership in the latter. BEO DMC is in the business of distributing and marketing of goods. The deposit was recorded as "Deposit for Future Stock Subscription" pending receipt of the shares of capital stock of the investee.

Others include books and periodicals purchased by MCMI in its initial year of school operation which are amortized over five (5) years and escrow fund/fund project and National Labor Relations Commission (NLRC) bonds, among others.

18. Accounts Payable and Other Current Liabilities

This account consists of:

	2019	2018
Accounts payable	**₱7,215,918,280**	₱5,414,465,593
Deferred output taxes	**470,071,993**	744,845,437
Accrued expenses	**334,851,087**	176,520,142
Provisions (Note 35)	**154,307,388**	153,558,082
Withholding taxes and others	**82,850,499**	99,678,224
Output tax payable	**69,703,441**	87,109,634
Subscriptions payable	**13,125,000**	27,482,213
Chattel mortgage payable	**12,906,807**	13,654,776
SSS and other contributions	**10,937,385**	5,984,466
Payable to Land Transportation Office	**4,427,438**	5,390,644
Deferred income	**2,348,003**	3,873,163
Dividends payable	**378,640**	23,071,231
Others	**50,086,077**	39,157,878
	₱8,421,912,038	₱6,794,791,483

Accounts payable pertains to the Group's obligation to local suppliers. The normal trade credit terms of accounts payable and accrued expenses of the Group are expected to be settled within the next twelve (12) months.

Accrued expenses consist of:

	2019	2018
Accrued salaries and wages	**₱99,784,432**	₱57,446,450
Accrued insurance	**24,387,237**	28,100,852
Accrued interest	**25,193,482**	24,370,643
Accrued professional fees	**15,210,248**	4,026,484
Accrued security services	**10,673,278**	17,440,334
Accrued utilities	**8,453,023**	4,063,613
Others	**151,149,387**	41,071,766
	₱334,851,087	₱176,520,142

Other accrued expenses mainly consist of accrual for professional fees, outside services, utilities and other expenses that are expected to be settled within one year.

Provisions were provided for claims by third parties in the ordinary course of business. As allowed by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, only a general description is provided as the disclosure of additional details beyond the present disclosures may prejudice the Group's position and negotiation strategies with respect to these matters.

19. Loans Payable

This account consists of:

	2019	2018
Unsecured bank loans	**₱8,085,000,000**	₱8,979,000,000
Secured bank loans	**308,800,000**	1,540,000,000
	₱8,393,800,000	₱10,519,000,000

Unsecured

Unsecured bank loans are obtained from local banks and related party financial institutions with annual interest rates ranging from 3.40% to 6.25% and 3.00% to 6.13% in 2019 and 2018, respectively.

Secured

In 2017, the Group, through MCMI, obtained a short-term loan (STL) facility with Bank of Philippine Island (BPI), which was earmarked from the long-term loan facility of the Group from same bank, to finance the construction of MCMI's school building. Each STL facility may be re-availed/renewed/extended within a period of one year provided that the sum of the terms of re-availements/renewal/extension will not exceed 360 days. The STL facility may be converted into a 10-year term loan facility which shall be partially secured by the real estate mortgage on the real property of MCMI. The STL facility is secured by the Continuing Suretyship Agreement of MESI. Annual interest rates range from 3.00% to 5.50%.

The Group, through MCMI, also obtained short-term loans from Land Bank of the Philippines (LBP) in 2019 and 2018 amounting to ₱15 million and ₱110 million, respectively with annual interests ranging from 4.70% to 6.25%. The loans are secured by the land owned by MCMI (Note 13).

Outstanding balance of short-term loans obtained by MCMI amounted to ₱308.80 million and ₱1,540 million as at December 31, 2019 and 2018, respectively.

Movements in loans payable during the years ended December 31 follow:

	2019	2018
Beginning balance	**₱10,519,000,000**	₱7,685,000,000
Availment	**15,760,000,000**	17,624,000,000
Payments	**(17,885,200,000)**	(14,790,000,000)
Ending balance	**₱8,393,800,000**	₱10,519,000,000

20. **Long-term Debt**

	2019	2018
Parent Company		
Peso-denominated five (5) year term loan, payable in twenty (20) equal quarterly installments starting March 2016 with interest of 5.11% per annum	**₱100,000,000**	₱200,000,000
EEI		
Fixed-rate corporate promissory notes with interest rate of 4.80% per annum	**2,446,428,571**	2,327,380,953
EEI Power		
Peso-denominated seven (7) year term loan, payable in equal quarterly installments and will mature on August 27, 2022 with interest of 4.80% per annum.	**196,428,571**	267,857,143
Biotech JP		
Yen-denominated five (5) year term loan, with interest rate of 0.05% per annum.	**23,380,577**	–
Yen-denominated four and half (4.5) term loan, with interest rate of 0.30% per annum.	**9,258,000**	–
Yen-denominated 6-month term loan, with interest rate of 2.45% per annum.	**46,290,000**	–
IPO		
Ten (10) year unsecured term loan, payable in 28 quarterly payments starting May 2022, with interest rate of 5.5% per annum subjectto annual repricing	**380,000,000**	–
Ten (10) year secured term loan, payable in 20 equal quarterly installments to start at the end of 21st quarter from the initial drawdown, with interest rate of at least 4% per annum subject to quarterly repricing	**1,489,903,407**	–
	4,691,689,126	2,795,238,096
Less current portion of long-term debt	**1,385,714,285**	774,603,175
	₱3,305,974,841	₱2,020,634,921

Parent Company
On December 16, 2015, the Parent Company acquired from BPI loan amounting ₱500.0 million, payable within five (5) years. The proceeds of the loan were used for general financing requirements and working capital purposes. As of December 31, 2019, the Parent Company has complied with its covenant obligation, including maintaining the required debt-to-equity ratio of 2.5:1.

On September 17, 2013, the Parent Company obtained interest-bearing loans from various local commercial banks (Eastwest Bank, Robinsons Bank and Philippine Bank of Communications) which were executed through individual loan agreements with chattel mortgage. Each interest-bearing loan has a term of ten years. Fifty percent (50%) of the total loan will be paid on the 10th year, while the remaining 50% of the loan, inclusive of a three (3) year grace period on principal payment, will be paid in 28 quarterly installments commencing on the 13th quarter.

The proceeds of the loan were used for the acquisition of the 10% ownership in RRC. A portion of each loan bears a fixed annual effective interest rate of 5.50%, subject to repricing on the fifth (5) year while the remaining portion bears a floating effective interest rate of 5%, subject to quarterly repricing.

The loan was fully paid in 2018

EEI
In 2014, the Group through EEI received ₱500.0 million proceeds from the issuance of unsecured fixed-rate corporate promissory notes to a local bank that bear annual interest of 5.20%. Subsequently, the bank reduced the interest rate to 4.80% effective May 26, 2015 until maturity. The promissory notes mature within seven (7) years from the date of issuance.

On June 15, 2015, the Group received ₱1,000 million proceeds from the issuance of an unsecured fixed-rate corporate promissory note to a local bank that bears annual interest of 4.80%. The promissory note matures within seven (7) years from the date of issuance.

On May 23, 2018, the Group received ₱2,000 million proceeds from the issuance of an unsecured fixed-rate corporate promissory note to a local bank that bears annual interest of 4.80%. The promissory note matures within five (5) years from the date of issuance.

On November 11, 2019, the Group received ₱909 million proceeds from the issuance of an unsecured fixed-rate corporate promissory note to a local bank that bears annual interest of 3.90%. The promissory note matures within three (3) years from the date of issuance. The proceeds from the promissory notes were used for general corporate and project financing requirements.

Interest expense incurred on these corporate notes amounted to ₱52.6 million, ₱62.9 million and ₱37.4 million in 2019, 2018 and 2017, respectively.

EEI Power Corporation
On August 28, 2015, EEI Power availed an unsecured ₱500.0 million long-term loan from a local bank that bears an annual interest of 4.80%. The loan is payable in equal quarterly installments and will mature on August 27, 2022.

Biotech JP
On August 12, 2016, Biotech JP obtained an unsecured five-year long-term loan from Biotech Japan Corporation that bears an annual interest rate of .05%. The loan is payable at maturity date, including accrued interest.

On October 1, 2018, the Biotech JP obtained an unsecured 4.5 year long-term loan from Biotech Japan Corporation that bears an annual interest rate of 0.30%. The loan is payable in five equal annual installments and will mature on March 31, 2021.

In 2019, Biotech JP obtained an unsecured ₱47.60 million long-term loan from Biotech Japan Corporation that bears an annual interest of 2.45%.

Interest expense incurred on these corporate notes amounted to ₱12.34 million, ₱15.70 million and ₱18.60 million in 2019, 2018 and 2017, respectively.

IPO

On February 7, 2019, IPO Group, through NTC, entered into a 10-year unsecured term loan facility with a local bank for ₱650.00 million to finance its building refurbishment and/or expansion. The principal payments of which will be made in 28 quarterly payments starting May 2022. As of December 31, 2019, total drawdown from the long-term loan facility amounted to ₱380 million, which are subject to annual repricing based on higher of 5.50% or the prevailing one year benchmark rate or done rate of a liquid/active security, as agreed by the parties, with the same tenor if benchmark rate is not reflective of market rate, plus interest spread.

The loan is subject to certain covenants including maintaining a maximum debt-to-equity structure ratio of 3:1. As of December 31, 2019, NTC has complied with its covenant obligations, including maintaining the required debt-to-equity ratio. The Group incurred interest expense amounting to ₱8.46 million for the year ended December 31, 2019. Interest expense in 2019 amounting to ₱7.11 million was capitalized as part of building and improvements.

On August 23, 2018, IPO, through MCMI, entered into a ten-year secured long-term loan agreement with LBP for ₱1,500.00 million to refinance the construction of MCMI's school buildings and facilities that were initially funded by short-term loans. MCMI made partial drawdowns against this agreement amounting to ₱680.00 million, ₱350.00 million and ₱470.00 million in January, June and July 2019, respectively. The loans were subject to prevailing borrower's rate, plus a minimum spread of 0.50% per annum, but in no case lower than 4% per annum, subject to quarterly repricing. MCMI shall repay the loan in 20 equal quarterly installments to start at the end of 21st quarter from the initial drawdown date. The loans were secured by the land and related improvements owned by MCMI and suretyship of MESI. The loans were subject to certain positive and negative covenants such as the requirement for MESI to maintain its debt service cover ratio of at least 1.0 at all times and its debt-to-equity ratio of at least 75:25 starting on the third year of the loan reckoned from initial drawdown date (January 2019).

MCMI incurred debt issue cost amounting to ₱11.25 million which was being amortized over the loan term of 10 years using the effective interest method. The amortized debt issue cost amounting to ₱1.15 million was recorded as part of interest expense.

Interest expense, including amortization of debt issue cost, amounted to ₱58.33 million.

Movements in the account follow:

	2019	2018
Balance at beginning of year	**₱2,795,238,096**	₱2,671,946,814
Availments	**2,862,403,404**	1,815,476,190
Payments	**(965,952,374)**	(1,703,608,058)
Amortization of transaction costs	–	11,423,150
Balance at end of year	**4,691,689,126**	2,795,238,096
Less current portion	**(1,385,714,285)**	(774,603,175)
	₱3,305,974,841	₱2,020,634,921

The aforementioned loans require the Group to maintain certain financial ratios such as debt to equity ratio, current ratio and debt service coverage ratio. As of December 31, 2019, and 2018, the Group was in compliance with the loan covenants.

21. EEI's Stock Option Plan

The EEI's stock option plan, as amended (Amended Plan), had set aside 35 million common shares for stock options available to regular employees, officers and directors of the Parent Company and its subsidiaries.

Under the Amended Plan, the option or subscription price must be equal to the book value of the EEI's common stock but not less than 80% of the average market price quoted in PSE for five trading days immediately preceding the grant, but in no case less than the par value. The option or subscription price should be paid over a period of five years in 120 equal semi-monthly installments. Shares acquired under the Amended Plan are subject to a holding period of one year.

A summary of the plan availments is shown below:

	Number of Shares
Shares allocated under the Original Stock Option Plan	19,262,500
Shares allocated under the Amended Stock Option Plan	15,737,500
Total shares allocated	35,000,000
Shares subscribed under the Original Stock Option Plan	19,365,815
Shares subscribed under the Amended Stock Option Plan	10,886,188
Total shares subscribed	30,252,003
Shares allocated at end of year	4,747,997

The EEI opted to avail the exemption in PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards*, from applying PFRS 2 upon adoption on January 1, 2005 as it allows non-adoption of PFRS 2 for equity instruments that were granted on or before November 7, 2002. Since 2000, there were no shares under the stock option plan that were granted, forfeited, exercised and expired.

No benefit expense is recognized relative to the shares issued under the stock option plan. When options are exercised, these are treated as capital stock issuances.

22. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or the party is an associate or a joint venture. Related parties may be individuals or corporate entities.

Related parties include entities under common control, which pertains to other subsidiaries of PMMIC, which is the Group's ultimate parent company.

The year-end balances and transactions with respect to related parties included in the consolidated financial statements are as follows (amounts in thousands):

	2019			
Category	**Amount/ Volume**	**Outstanding Balance Receivable (Payable)**	**Terms**	**Conditions**
Parent Company – PMMIC				
a. Accounts payable	**₱989**	**(₱357)**	**Noninterest-bearing**	**Unsecured**
Miscellaneous expenses incurred	**989**	**–**		
b. Dividends payable	**–**	**–**	**Noninterest-bearing**	**Unsecured**
Dividends declared	**27,868**	**–**		
Associates				
c. Dividends receivable		**30,000**	**Noninterest-bearing**	**Unsecured, no impairment**
Dividends earned	**129,100**	**–**		
d. Receivables from related parties	**–**	**305**	**Noninterest-bearing**	**Unsecured**
Rendering management and audit services	**1,755**	**2,999**		
Rendering of services	**–**	**23,952**		
Extension of advances	**797,451**	**3,402**		
e. Due to related parties	**(126,417)**	**(126,417)**	**Noninterest-bearing**	**Unsecured**
f. Subscriptions payable	**–**	**(9,375)**	**Noninterest-bearing**	**Unsecured**
Other affiliates				
g. Rendering of construction services	**7,058**	**76,112**	**Interest-bearing, 5% per annum**	**Unsecured**
Sale of property	**5,678**	**78,000**	**Interest-bearing, 5% per annum**	**Unsecured**
Lease of property	**(67,541)**	**–**	**Non-interest bearing**	**Unsecured**
Extension of advances	**–**	**68**		
Entities under common control				
h. Cash and cash equivalents	**–**	**2,073,885**	**Interest-bearing at prevailing bank deposit rates**	**Unrestricted**
Interest earned	**32,582**	**–**		
Accounts receivable	**–**	**108,582**	**Noninterest-bearing**	**Unsecured, no impairment**
Sale of vehicles	**161,898**	**–**		
Agency fee income earned	**55,584**	**–**		
Dividends receivable	**–**	**–**	**Noninterest-bearing**	**Unsecured, no impairment**
Dividends earned	**29**	**–**		
Commission receivable	**–**	**392**	**Noninterest-bearing**	**Unsecured, no impairment**
Commission earned	**133**	**–**		
Receivables from related parties	**–**	**70,930**	**Noninterest-bearing**	**Unsecured, no impairment**
Rendering janitorial service	**392,037**	**–**		
Other income earned	**416**	**–**		
Rental income earned	**–**	**–**		
Audit fee income earned	**2,858**	**–**		
Management fee receivable	**–**	**55,985**	**Noninterest-bearing**	**Unsecured, no impairment**
Rendering management services	**131,559**	**–**		

(Forward)

Category	**Amount/ Volume**	**Outstanding Balance Receivable (Payable)**	**Terms**	**Conditions**
	2019			
Accounts payable and accrued expenses	**₱–**	**₱96**	**Noninterest-bearing**	**Unsecured**
Rental of office space	**7,312**	–		
Due to related parties	–	–	**Noninterest-bearing**	**Unsecured**
Insurance expense	**12,577**	–		

Category	Amount/ Volume	Outstanding Balance Receivable (Payable)	Terms	Conditions
	2018			
Parent Company - PMMIC				
a. Accounts payable	₱558	(₱248)	Noninterest-bearing	Unsecured
Miscellaneous expenses incurred	506	–		
b. Dividends payable	688	(1,669)	Noninterest-bearing	Unsecured
Dividends declared	25,542	–		
Associates				
c. Dividends receivable	–	10,000	Noninterest-bearing	Unsecured, no impairment
Dividends earned	107,541	–		
d. Receivables from related parties	–	123,176	Noninterest-bearing	Unsecured
Rendering management and audit services	7,451	–		
Extension of advances	3,528	–		
Rendering of services	117,670	–		
e. Due to related parties	(7,495)	(131,069)	Noninterest-bearing	Unsecured
f. Subscriptions payable	–	(9,735)	Noninterest-bearing	Unsecured
Other affiliates				
g. Interest income on receivables	8,795	141,112	Interest-bearing, 5% per annum	Secured, no impairment
Sale of property	7,671	133,000	Interest-bearing, 5% per annum	Secured, no impairment
Lease of property	57,433	–		
Entities under common control				
h. Cash and cash equivalents	–	1,764,680	Interest-bearing at prevailing bank deposit rates	Unrestricted
Interest earned	17,702	–		
i. Accounts receivable	–	85,749	Noninterest-bearing	Unsecured, no impairment
Sale of vehicles	85,359	–		
Agency fee income earned	49,221	–		
j. Dividends receivable	(300)	–	Noninterest-bearing	Unsecured, no impairment
Dividends earned	30	–		
k. Commission receivable	–	382	Noninterest-bearing	Unsecured, no impairment
Commission earned	97	–		
l. Receivables from related parties	–	22,790	Noninterest-bearing	Unsecured, no impairment
Rendering janitorial service	429,199	–		
Other income earned	916	–		
Rental income earned	–	–		
Audit fee income earned	3,383	–		

(Forward)

Category		2018			
		Amount/ Volume	Outstanding Balance Receivable (Payable)	Terms	Conditions
m.	Management fee receivable	₱–	₱42,756	Noninterest-bearing	Unsecured, no impairment
	Rendering management services	133,257	–		
n.	Accounts payable and accrued expenses	179	–	Noninterest-bearing	Unsecured
	Rental of office space	6,736	–		
o.	Due to related parties	–	(3,781)	Noninterest-bearing	Unsecured
	Insurance expense	8,759	–		

Parent Company - PMMIC

a. Accounts payable to PMMIC pertains to unpaid expenses on shared costs such as legal expenses which are included under "Miscellaneous expense". Accounts payable to PMMIC as at December 31, 2019 and 2018 amounted to ₱0.4 million and P0.2 million, respectively.

b. Dividends declared in 2019 and 2018 by the Parent Company amounted to ₱63.3 million and ₱64.8 million, respectively (Note 40). Out of the total declared dividends, dividends payable to PMMIC as at December 31, 2019 and 2018 amounted to nil and ₱1.7 million, respectively.

Associates

c. In 2019 and 2018, dividend income earned from associates amounted to ₱129.1 million and ₱107.5 million, respectively. Outstanding dividends receivable from associates as at December 31, 2019 and 2018 amounted to ₱30.0 million and ₱10.0 million, respectively.

d. Receivable from related parties arises from services rendered by the Parent Company and EEI to its associates. These services include management consultancy, internal audit fees and extension of advances. As at December 31, 2019 and 2018, the Group has an outstanding receivable from its associates amounting ₱123.2 million and ₱106.3 million, respectively. Management fee income charged to associates is fixed per month while audit fee income depends on the audit engagement letter agreed by both parties.

e. Due to related parties pertains to advances extended by EEI Limited to ARCC. As at December 31, 2019 and 2018, the Group has an outstanding payable to its associates amounting ₱126.4 million and ₱131.1 million, respectively.

f. Outstanding subscription payable to an associate amounted to ₱9.7 million as at December 31, 2019 and 2018.

Other affiliates

g. In 2013, EEI was contracted by PWEI for the construction of 18 units WTG foundations, roadways and temporary landing pad intended for the 36MW Nabas Wind Power Project (NWPP) in Nabas, Aklan for ₱1,100.0 million. The project was completed on April 30, 2015. The outstanding receivables amounted to ₱76.1 million and ₱141.1 million as of December 31, 2019 and 2018, respectively.

   In 2006, EEI sold parcels of land to EEI Retirement Fund, Inc. (EEI-RFI), a trustee of the EEI employees retirement fund. EEI-RFI is managed by RCBC Trust and Investment Division. The parcels of land sold are located in Manggahan, Quezon City and Bauan, Batangas (Note 13). Interest income recognized from the receivables from EEI-RFI is disclosed in Note 24. The receivables bear interest of 5% per annum in 2019, 2018 and 2017.

Starting January 2007, EEI and EEI-RFI entered into operating lease agreements for the said land and improvements. The terms are for one year and renewable every year with 5% increase effective January 1, 2014

In 2013, the receivable from the EEI-RFI amounting to ₱390.0 million was restructured and reclassified to other noncurrent assets with fixed 5% interest rate per annum. In 2016, the Parent Company and the Fund agreed to extend the term of the payment until April 30, 2021. Outstanding receivables amounted to ₱78.0 million and ₱133.0 million as of December 31, 2019 and 2018 respectively (Notes 7 and 17). Interest income earned from receivable from EEI-RFI amounted to ₱6.3 million and ₱7.67 million for the year ended December 31, 2019 and 2018, respectively.

<u>Entities under common control of PMMIC</u>

h. The Group maintains cash and cash equivalents with RCBC, an entity under common control. As at December 31, 2019 and 2018, cash and cash equivalents with RCBC amounted to ₱2,073.9 million and ₱1,764.7 million, respectively. The related deposits earn interest at the prevailing bank deposit rates. Interest income earned from cash and cash equivalents amounted to ₱32.6 million, ₱17.7 million and ₱19.6 million in 2019, 2018 and 2017, respectively.

i. The Group generates income by providing security services at a 20% mark-up to entities under common control. In 2019, 2018 and 2017, the Group's agency fee income is attributable to security services provided to majority of RCBC branches in the country. As at December 31, 2019 and 2018, the Group's accounts receivable from RCBC amounted to ₱50.8 million and ₱47.7 million, respectively. Agency fees amounted to ₱55.6 million, ₱49.2 million and ₱45.8 million in 2019, 2018 and 2017, respectively.

   The Group sold vehicle units to various entities under common control of PMMIC with terms ranging from 30-60 days. The outstanding receivable from the sale amounted to ₱57.8 million and ₱38.0 million as at December 31, 2019 and 2018, respectively. Revenues from motor vehicle sales amounted to ₱161.9 million, ₱85.4 million and ₱125.7 million in 2019, 2018 and 2017, respectively.

j. Dividend income earned in 2019, 2018 and 2017 from entities under common control of PMMIC amounted to ₱0.03 million, ₱0.03 million and ₱0.7 million, respectively. Dividends were all collected in 2019 and 2018.

k. The Group earns commission income from insurance referrals to all insurance affiliate. As at December 31, 2019 and 2018, commission receivables amounted to ₱0.39 million and ₱0.38 million, respectively. Commission income amounted to ₱0.1 million, ₱0.1 million and ₱1.3 million in 2019, 2018, and 2017, respectively.

l. Receivable from related parties arises mainly from janitorial services rendered by EEI (GAMSI) to the Group's affiliates. The service revenue earned from janitorial serviced rendered in 2019, 2018 and 2017 amounted to ₱392.0 million, ₱429.2 million and ₱329.5 million, respectively.

m. One of the subsidiaries entered into various agreements with entities under common control to perform property and project management services. Receivable from this transaction is accounted under "Management fee receivable". The Group's outstanding receivable from property and project management fees amounted to ₱55.9 million and ₱42.8 million as at December 31, 2019 and 2018, respectively. Services fees amounted to ₱131.6 million, ₱133.3 million and ₱142.4 million in 2019, 2018 and 2017, respectively.

n. Payable to an entity under common control pertains to rental of office space and share in the utilities expense of the Group amounting to ₱0.1 million and nil as at December 31, 2019 and 2018, respectively.

o. IPO and EEI obtains property and personnel insurance from its affiliated insurance company, Malayan Insurance Company, Inc. (MICO). Insurance contract coverage pertains to Group's fire, accident, group and other insurance policies. As at December 31, 2019 and 2018, total outstanding payable amounted to nil and ₱3.8 million, respectively.

The Group maintains its retirement fund with RCBC trust division. As at December 31, 2019 and 2018, the fair values of the plan assets of the retirement fund amounted to ₱1,548.9 million and ₱1,286.9 million, respectively (Note 32). Trust fees amounting to ₱5.1 million, ₱5.0 million and ₱5.2 million were recognized by the retirement plan arising from its transactions with RCBC for the years ended December 31, 2019, 2018 and 2017, respectively.

Remuneration of key management personnel
The remuneration of directors and other members of key management of the Group are as follows:

	2019	2018	2017
Compensation and short-term benefits	**₱283,922,072**	₱295,874,351	₱262,665,060
Post-employment benefits	**51,351,462**	13,748,867	14,038,849
	₱335,273,534	₱309,623,218	₱276,703,909

Terms and conditions of transactions with related parties
Outstanding balances at year-end are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. These mainly consist of advances and reimbursement of expenses. The Group has not recognized any impairment on amounts due from related parties for the years ended December 31, 2019 and 2018. This assessment is undertaken each financial year through a review of the financial position of the related party and the market in which the related party operates.

Identification, review and approval of related party transactions
Material related party transactions (MRPT) refers to any related party transactions, either individually, or in aggregate over a twelve (12)-month period with the same related party, amounting to ten percent (10%) or higher of the Group's total consolidated assets based on its latest audited financial statements.

All material related party transactions shall be reviewed by the Group's Corporate Governance Committee and approved by the BOD with at least 2/3 votes of BOD, with at least a majority vote of the independent directors. In case that the vote of a majority of the independent directors is not secured, the material related party transactions may be ratified by the vote of the stockholders representing at least 2/3 of the outstanding capital stock.

23. Revenue from Contracts with Customers

Set out below is the disaggregation of the Group's revenue from contracts with customers for the years ended December 31:

	2019	2018
Revenue from construction contracts	**₱21,360,242,366**	₱20,262,488,228
Sales of goods	**7,040,475,333**	7,884,084,729
Schools and related operations	**2,996,772,925**	1,807,593,037
Manpower	**669,811,598**	625,826,773
Power generation	**348,840,955**	411,113,436
Others	**1,713,698,126**	1,355,236,119
	₱34,129,841,303	₱32,346,342,322

Disaggregation of Revenues from construction contracts:

	2019	2018
Infrastructure	**₱11,344,227,918**	₱10,657,941,730
Building	**6,479,980,648**	5,843,255,741
Electro-mechanical	**2,685,576,381**	2,412,682,797
Industrial	**850,457,419**	1,348,607,960
	₱21,360,242,366	₱20,262,488,228

Disaggregation of Revenues from sale of goods:

	2019	2018
Merchandise sales	**₱6,951,914,939**	₱7,820,392,682
Real estate sales	**87,899,956**	63,237,940
Rent income	**660,438**	454,107
	₱7,040,475,333	₱7,884,084,729

Disaggregation of Revenue from schools and related operations:

	2019	2018
Tuition and other matriculation fees	**₱2,829,934,217**	₱1,671,496,122
Other student-related income:		
Bookstore sales	**50,654,978**	39,828,321
Seminar fee income	**16,572,886**	14,335,836
Others	**99,610,844**	81,932,758
	₱2,996,772,925	₱1,807,593,037

24. **Other Income -** Net

This account consists of:

	2019	2018	2017
Gain on sale of assets	**₱101,940,621**	₱24,981,758	₱346,566,455
Interest income	**60,989,962**	59,012,581	71,659,747
Dividend income	**54,808,659**	954,613	1,851,934
Rental income	**25,194,574**	42,195,891	20,760,534
Tax refund/discount	**4,804,879**	392,721	2,826,869
Foreign exchange gain (loss)	**(38,607,477)**	56,505,871	(11,827,606)
Income from reversal of payables	**–**	40,702	78,506,494
Finance income	**–**	–	227,814,636
Commission income	**–**	–	109,930,063
Insurance income	**–**	–	23,772,634
Recoveries from previously written-off receivables	**–**	–	4,241,071
Miscellaneous	**16,156,116**	35,884,277	44,836,508
	₱225,287,334	₱219,968,414	₱920,939,339

Gain on sale of assets arose from the sale of the following assets:

	2019	2018	2017
Property and equipment (Note 13)	**₱101,530,669**	₱17,058,635	₱8,813,780
Investment properties (Note 16)	**409,952**	7,923,123	279,071,868
Available-for-sale securities (Note 11)	**–**	–	58,680,807
	₱101,940,621	₱24,981,758	₱346,566,455

Interest income consists of income from:

	2019	2018	2017
Installment contract receivable	**₱10,647,486**	₱19,396,680	₱40,532,658
Savings deposit and short-term investments (Note 6)	**37,191,409**	17,532,694	17,310,166
Receivable from EEI-RFI (Notes 7, 17 and 22)	**5,677,703**	7,671,131	9,749,504
Others	**7,473,364**	14,412,076	4,067,419
	₱60,989,962	₱59,012,581	₱71,659,747

Commission income pertains to the administrative fee received by the Parent Company as compensation for the services they performed as a third party for the processing of bills of PLDT, SMART and regular purchases of its affiliates in the Yuchengco Group of Companies (YGC).

In 2019 and 2018, administrative fees were recognized under revenue from contracts with customers.

In 2019, 2018 and 2017, certain payables that were long-outstanding amounting to nil, ₱0.04 million and ₱78.51 million, respectively, were written-off and recognized as other income. Based on management's assessment, the settlement of these payables are remote.

Miscellaneous include income from sale of sludge and used oil and rebate from purchase of fuel, among others.

25. Costs of Sales and Services

This account consists of:

	2019	2018	2017
Cost of services (Note 27)			
Cost of construction contracts	**₱18,825,368,263**	₱17,774,856,638	₱11,364,201,342
Cost of manpower and other services	**1,905,955,718**	1,716,344,334	1,543,838,972
	20,731,323,981	19,491,200,972	12,908,040,314
Cost of goods sold			
Cost of merchandise sold (Note 26)	**6,543,465,005**	7,243,611,097	10,081,613,087
Cost of real estate sold (Note 9)	**60,914,479**	38,321,997	27,140,904
	6,604,379,484	7,281,933,094	10,108,753,991
Cost of tuition and other fees (Note 28)	**2,038,844,353**	1,279,402,975	1,286,658,343
	₱29,374,547,818	₱28,052,537,041	₱24,303,452,648

26. Cost of Merchandise Sold

This account consists of (Notes 9 and 25):

	2019	2018	2017
Inventory, beginning	**₱2,465,032,904**	₱809,783,825	₱1,249,249,386
Purchases	**6,185,829,667**	8,890,747,762	9,628,244,033
Total goods available for sale	**8,650,862,571**	9,700,531,587	10,877,493,419
Less inventory end	**2,122,740,026**	2,465,032,904	809,783,825
Cost of inventories sold	**6,528,122,545**	7,235,498,683	10,067,709,594
Personnel expenses	**7,547,944**	5,171,961	8,952,762
Others	**7,794,516**	2,940,453	4,950,731
	₱6,543,465,005	₱7,243,611,097	₱10,081,613,087

27. Cost of Services

	2019	2018	2017
Cost of construction contracts (Note 25)			
Materials	**₱6,909,445,920**	₱2,669,585,470	₱2,301,357,788
Labor	**5,918,411,505**	6,725,263,743	4,216,532,653
Equipment costs and others	**5,449,447,595**	7,846,306,554	4,374,623,075
Depreciation and amortization (Notes 13, 14 and 29)	**548,063,243**	533,700,871	471,687,826
	18,825,368,263	17,774,856,638	11,364,201,342
Cost of manpower and other services (Note 25)			
Personnel expenses	**808,871,227**	779,402,074	666,803,169
Materials	**460,667,622**	432,461,177	293,155,154
Parts and accessories	**319,374,007**	277,309,550	218,368,775
Depreciation and amortization (Notes 13, 14 and 29)	**85,027,698**	48,899,227	58,781,486
Others	**232,015,164**	178,272,306	306,730,388
	1,905,955,718	1,716,344,334	1,543,838,972
	₱20,731,323,981	₱19,491,200,972	₱12,908,040,314

28. **Cost of Tuition and Other Fees**

This amount consists of (Note 25):

	2019	2018	2017
Personnel expenses	**₱927,213,682**	₱608,761,306	₱575,949,479
Depreciation and amortization (Notes 13, 14, 16 and 17)	**336,843,147**	187,605,487	194,769,392
Student-related expenses	**216,292,493**	110,314,055	144,837,519
Management and other professional fees	**166,467,504**	113,974,424	113,628,794
Utilities	**128,761,390**	84,042,240	81,734,815
IT expense - software license	**45,668,629**	36,622,759	27,321,190
Periodicals	**40,197,909**	21,693,225	19,665,658
Tools and library books (Note 13)	**33,969,025**	26,333,830	30,198,284
Repairs and maintenance	**34,663,605**	15,720,212	12,251,634
Advertising	**19,696,101**	19,901,017	16,659,662
Seminar	**16,769,308**	12,667,874	18,995,992
Research and development fund	**16,210,975**	8,806,118	17,303,387
Office supplies	**16,083,800**	7,405,855	6,944,143
Accreditation cost	**11,121,935**	8,951,062	7,242,083
Insurance	**10,100,644**	7,350,745	6,619,921
Laboratory supplies	**7,955,109**	3,810,433	6,565,801
Taxes and licenses	**2,880,056**	1,527,092	1,800,770
Transportation and travel	**2,162,552**	1,844,524	1,144,372
Entertainment, amusement and recreation	**1,375,485**	510,375	387,474
Rent	**430,020**	205,301	624,492
Miscellaneous	**3,980,984**	1,355,041	2,013,481
	₱2,038,844,353	₱1,279,402,975	₱1,286,658,343

29. **General and Administrative Expenses**

This account consists of:

	2019	2018	2017
Personnel expenses	**₱1,118,817,633**	₱929,513,234	₱922,969,345
Depreciation and amortization (Notes 13, 14, 16, 17 and 30)	**396,206,316**	219,409,779	197,326,820
Taxes and licenses	**315,799,454**	203,665,580	151,900,821
Rent, light and water	**132,347,524**	256,172,009	205,458,195
Transportation and travel	**100,003,901**	92,599,351	79,323,189
Repairs and maintenance	**96,939,658**	44,588,159	28,407,620
Professional fees	**73,134,515**	77,936,754	66,784,730
Management and other fees	**67,963,961**	47,631,687	25,277,692
Securities and utilities	**56,933,309**	51,715,038	66,642,740
Entertainment, amusement and recreation	**57,880,809**	56,707,083	87,252,976
Provision for impairment	**45,474,203**	2,301,307	1,000,000
Advertising and promotions	**41,208,673**	59,361,741	163,180,208

(Forward)

	2019	2018	2017
Insurance	**₱29,347,397**	₱24,814,252	₱19,094,768
Office expenses	**25,505,879**	21,738,960	21,157,909
Commissions	**22,199,733**	22,686,652	29,856,401
Provision for inventory obsolescence (Note 9)	**21,533,760**	25,567,947	25,646,369
Seminars	**14,838,297**	3,176,366	1,100,338
Donations and contributions	**13,182,360**	12,200,117	12,232,541
Direct expenses	**6,327,424**	18,647,870	60,587,733
Accreditation cost	**60,313**	89,679	–
Provision for probable losses on loans and accounts receivables (Notes 7 and 22)	**53,328,702**	331,816,497	9,265,418
Miscellaneous	**129,930,481**	148,905,722	145,488,675
	₱2,818,964,302	₱2,651,245,784	₱2,319,954,488

Miscellaneous expense includes dues and subscriptions, periodicals, training and seminar, bank charges, legal and notarial fees and other contracted services.

Below are the details of net provision for probable losses on loans receivable and accounts receivable (Notes 7):

	2019	2018	2017
Provision			
Loans receivable	**₱–**	₱468,422	₱380,000
Write-off of consultancy fee receivable	–	330,335,559	–
Accounts receivable	**53,328,702**	1,012,516	8,885,418
	₱53,328,702	₱331,816,497	₱9,265,418

30. **Depreciation and Amortization**

This account consists of depreciation and amortization included in (Notes 13, 16 and 17):

	2019	2018	2017
Cost of sales and services			
Construction contracts (Note 27)	**₱548,063,243**	₱533,700,871	₱471,687,826
Tuition and other fees (Note 28)	**336,843,147**	187,605,487	194,769,392
Manpower and other services (Note 27)	**85,027,698**	48,899,277	58,781,486
Capitalized as part of cost of inventories	–	554,093	622,472
	969,934,088	770,759,728	725,861,176
General and administrative expenses (Note 29)	**396,206,316**	219,409,779	197,326,820
	₱1,366,140,404	₱990,169,507	₱923,187,996

31. Interest and Finance Charges

The Group's interest and finance charges consist of interest on the following:

	2019	2018	2017
Long-term debt (Note 20)	**₱124,062,908**	₱92,904,155	₱140,746,490
Loans payable (short-term) (Note 19)	**561,555,227**	358,786,552	129,504,172
Lease liabilities (Note 14)	**79,459,539**	–	–
Advances to affiliates and other finance charges (Note 22)	**15,532,583**	4,060,882	5,817,327
	₱780,610,257	₱455,751,589	₱276,067,989

32. Retirement Plan

The Group has funded, noncontributory retirement plans (the Plans) for all of its regular employees, in compliance with Republic Act No. 7641, The New Retirement Pay Law. The Plans provide for normal, early retirement, death and disability benefits. The most recent actuarial valuation was made for the Group's retirement plans as of December 31, 2019.

The following tables summarize the components of the benefit expense recognized in the consolidated statements of comprehensive income and amounts recognized in the consolidated statements of financial position for the retirement plans.

	2019	2018
Retirement liabilities	**₱457,836,487**	₱141,017,371
Retirement assets	**18,289,597**	28,059,472
Net retirement liabilities	**439,546,890**	112,957,899
Net retirement expenses	**124,715,271**	132,337,485

The net retirement expenses recognized by the Group (included in personnel expense in the consolidated statements of comprehensive income) are as follows:

	2019	2018	2017
Current service cost	**₱117,938,111**	₱128,964,699	₱118,273,222
Net interest cost	**6,777,160**	5,152,317	5,398,656
Past service cost	**–**	(1,779,531)	3,471,235
	₱124,715,271	₱132,337,485	₱127,143,113

The amounts recognized in the consolidated statements of financial position follow:

Net retirement liabilities	2019	2018
Present value of defined benefit obligation	**₱1,948,334,688**	₱1,225,093,077
Fair value of plan assets	**(1,490,498,201)**	(1,084,075,706)
	₱457,836,487	₱141,017,371

Net retirement assets	2019	2018
Present value of defined benefit obligation	**₱37,445,007**	₱174,297,947
Fair value of plan assets	**(57,957,371)**	(202,357,419)
Effect of asset ceiling	**2,222,767**	–
	(₱18,289,597)	(₱28,059,472)

The movements in the net retirement liability follow:

	2019	2018
At beginning of year	**₱112,957,899**	₱102,075,794
Contributions paid	**(147,248,479)**	(169,124,407)
Net retirement expense	**135,946,303**	132,337,485
Remeasurement loss	**329,248,656**	48,180,540
Withdrawal of plan asset	**(3,293,864)**	728,168
Adjustment to defined benefit obligation	**11,936,375**	(1,239,681)
At end of the year	**₱439,546,890**	₱112,957,899

Movement of cumulative remeasurement effect recognized in OCI:

	2019	2018
Balance at beginning of year	**(₱21,637,177)**	(₱69,817,717)
Remeasurement gain (loss)	**(317,906,260)**	48,180,540
Total amounts recognized in OCI	**(₱339,543,437)**	(₱21,637,177)

The movements in the present value of defined obligation follow:

	2019	2018
Balance at beginning of year	**₱1,399,830,973**	₱1,368,433,374
New subsidiaries	**171,778,160**	–
Current service cost	**119,094,029**	128,964,699
Interest cost on obligation	**104,910,736**	76,484,226
Transfer from affiliates	**3,508,838**	–
Past service cost	**–**	(1,779,531)
Reversal	**–**	(1,239,682)
Remeasurement loss (gain)	**323,703,290**	(91,341,457)
Benefits paid	**(137,046,331)**	(79,690,656)
Balance at end of year	**₱1,988,485,244**	₱1,399,830,973

The movements in the fair value of plan assets follow:

	2019	2018
Balance at beginning of year	**₱1,286,873,075**	₱1,266,357,580
New subsidiaries	**139,088,080**	–
Contributions	**142,695,168**	169,124,407
Remeasurement gain (loss)	**5,797,030**	(139,521,997)
Asset return in net interest cost	**99,112,880**	71,331,909
Transfer from affiliates	**3,508,838**	–
Benefits paid	**(127,654,322)**	(79,690,656)
Adjustments to plan assets	**117,605**	–
Withdrawal of plan assets	**(600,000)**	(728,168)
Balance at end of year	**₱1,548,938,354**	₱1,286,873,075

The major categories of plan assets and its fair value are as follows:

	2019	2018
Cash	**₱312,759,829**	₱207,543,792
Investment in government securities	**785,172,322**	833,841,877
Investments in shares of stock	**311,852,866**	191,034,360
Investments in other securities and debt instruments	**134,693,827**	52,131,165
Interest receivables and other receivables	**13,268,786**	10,319,741
Accrued trust fees and other payables	**(8,809,276)**	(7,997,860)
	₱1,548,938,354	₱1,286,873,075

The Group expects to contribute ₱196.05 million to its defined benefit retirement plans in 2020.

The Retirement fund (Fund) of the Group is being maintained and managed, in trust, by RCBC Trust and Investment Group (TIG), an affiliate financial institution.

Trust fees paid in 2019, 2018 and 2017 amounted to ₱5.1million, ₱5.0 million and ₱5.2 million, respectively.

The composition of the fair value of the trust fund includes:

Investment in government securities - include investment in Philippine Retail Treasury Bonds (RTBs) and Fixed Rate Treasury Notes (FXTNs).

Cash - include savings and time deposit with affiliated bank and special deposit account with Bangko Sentral ng Pilipinas (BSP SDA).

Investment in equity securities - include investment in common and preferred shares traded in the Philippine Stock Exchange.

Investment in debt and other securities - include investment in long-term debt notes and retail bonds.

Interest and other receivables - pertain to interest and dividends receivable on the investments in the fund.

In 2019, the Fund has investment in equity securities of related parties with fair values and accumulated gain of ₱99.0 million and ₱60.1 million, respectively.

In 2018, the Fund has investment in equity securities of related parties with fair values and accumulated gain of ₱120.2 million and ₱60.5 million, respectively.

The voting rights of the above equity securities were assigned to RCBC TIG, being the investment manager who manages and administers the investments and reinvestments of the fund.

The principal actuarial assumptions used in determining retirement expense are as follows:

	2019	2018
Discount rate		
Beginning	**7.26%-7.38%**	4.70%-5.74%
End	**4.79%-5.54%**	7.04%-7.38%
Future salary increases		
Beginning	**3.00%-6.50%**	3.00%-6.00%
End	**3.00%-6.61%**	3.00%-6.50%

The sensitivity analysis that follows has been determined based on reasonably possible changes of each significant assumption on the retirement benefit obligation as of the end of financial reporting date, assuming all other assumptions were held constant.

	2019		2018	
	Increase (decrease)	**Effect on defined benefit obligation**	Increase (decrease)	Effect on defined benefit obligation
Discount rates	**+50bps to +100bps**	**(₱329,123,394)**	+50bps to +100bps	(₱238,783,151)
	-50bps to -100bps	**388,635,316**	-50bps to -100bps	269,600,023
Salary increase rates	**+50bps to +100bps**	**474,793,299**	+50bps to +100bps	318,788,477
	-50bps to -100bps	**(386,285,183)**	-50bps to -100bps	(282,992,024)

33. Income Taxes

The reconciliation of the income tax computed at the statutory tax rate to the provision for income tax shown in the consolidated statements of income follows:

	2019	2018	2017
Income before income tax	**30.00%**	30.00%	30.00%
Add (deduct) reconciling items:			
Equity in net earnings of associates and joint venture	**(0.66)**	4.62	(12.57)
Movement of deferred income tax assets not recognized	**(1.59)**	–	–
Income subject to lower tax rate and others	**(5.96)**	(4.62)	3.87
	21.78%	30.00%	21.30%

All companies in the Group are subject to the RCIT rate of 30%, except for MESI, MHSSI MCLI, MCMI, UNC, NTC and APEC which are subject to a lower tax rate of 10%.

The Group's net deferred tax assets and liabilities consist of the following:

	2019	2018
Net deferred income tax assets on a per subsidiary level:		
Accrued retirement expense	**₱–**	₱3,141,396
Capitalized borrowing cost	**(309,587)**	(1,000,175)
Retirement asset	**7,644,588**	14,793,384
Retirement liability	**(36,487,464)**	(38,427,451)
Unamortized past service cost	**32,081,269**	34,402,202
Remeasurement loss on defined benefit plans	**129,563,769**	49,660,958
Allowance for doubtful accounts, inventory, obsolescence and other expenses	**36,120,706**	26,283,573
Accrued rent	**–**	2,801,334
NOLCO	**9,550,041**	5,562,655
MCIT	**14,028,990**	6,101,630
Unrealized foreign exchange loss	**9,192,817**	(10,682,874)
Unrealized gain on rendering of construction services	**–**	33,996,375
Excess of right-of-use-assets over lease	**(43,623,303)**	–
Others	**37,258,563**	12,870,928
	₱195,020,389	₱139,503,935
Net deferred income tax liabilities on a per subsidiary level:		
Revaluation increment on land	**₱795,578,682**	₱490,030,788
Retirement liability	**–**	88,010,757
Accrued retirement expense	**(18,883,312)**	(9,486,029)
Allowance for doubtful accounts, inventory obsolescence and other expenses	**999,452**	(5,050,115)
Accrued expenses	**89,474,043**	(15,355,808)
Others	**156,361,409**	(3,174,554)
	₱1,023,530,274	₱544,975,039

The reconciliation of the Group's net deferred tax liabilities follow:

	2019	2018
Balance at beginning of the year	**₱405,471,104**	₱309,038,713
Tax expense (income) recognized in:		
Other comprehensive income	**452,743,111**	48,375,351
Profit and loss	**(29,704,330)**	(13,050,924)
Retained earnings	**–**	61,107,964
	₱828,509,885	₱405,471,104

The Group did not recognize deferred tax assets on the following temporary differences because the Group believes that it may not be probable that sufficient taxable income will be available in the near foreseeable future against which the tax benefit can be realized.

	2019	2018
NOLCO	**₱85,601,553**	₱64,986,290
Allowance for doubtful accounts, inventory obsolescence and other expenses	**119,304,699**	143,106,961
MCIT	**6,239,920**	9,141,020
Accrued retirement expense	**6,466,559**	6,405,774
Others	**794,385**	1,076,172

As of December 31, 2019, the amount of NOLCO still available for offset against future tax payable over a period of three (3) years from the year of inception are as follows:

Taxable Period	Amount	Applied/Expired	Balance	Expiry Year
2019	₱30,586,211	₱–	₱30,586,211	2022
2018	46,936,501	–	46,936,501	2021
2017	36,474,136	–	36,474,136	2020
2016	11,590,002	11,590,002	–	2019
	₱125,586,850	₱11,590,002	₱113,996,848	

As of December 31, 2019, the amounts of MCIT still allowable as tax credit consist of:

Taxable Period	Amount	Applied/Expired	Balance	Expiry Year
2019	₱14,679,534	₱–	₱14,679,534	2022
2018	7,689,822	–	7,689,822	2021
2017	113,214	–	113,214	2020
2016	473,963	473,963	–	2019
	₱22,956,533	₱473,963	₱22,482,570	

34. Earnings Per Share

Basic and diluted earnings per share amounts attributable to equity holders of the Group are computed as follows:

Basic earnings per share

	2019	2018	2017
Net income	**₱974,033,430**	₱848,267,992	₱941,441,126
Less dividends attributable to preferred shares	**23,302,357**	24,732,938	23,028,873
Net income applicable to common shares	**950,731,073**	823,535,054	918,412,253
Divided by the weighted average number of common shares	**776,465,281**	615,996,114	615,996,114
Basic earnings per share	**₱1.2244**	₱1.3369	₱1.4909

Diluted earnings per share

	2019	2018	2017
Net income applicable common share for basic earnings per share	**₱950,731,073**	₱823,535,054	₱918,412,253
Add dividends attributable to preferred stock	–	24,732,938	23,028,873
Net income applicable to common stockholders for diluted earnings per share	**950,731,073**	848,267,992	941,441,126
Weighted average number of shares of common stock	**776,465,281**	615,996,114	615,996,114
Dilutive shares arising from convertible preferred stock	–	164,942,770	169,172,072
Weighted average number of shares of common stock for diluted earnings per share	**776,465,281**	780,938,884	785,168,186
Diluted earnings per share	**₱1.2244**	₱1.0862	₱1.1990

In 2019, the preferred stock conversion to common share has significantly reduced the number of potential common stock outstanding as of December 31, 2019 making the options anti-dilutive, hence, no diluted earnings per share calculated.

The weighted average number of shares of common stock is computed as follows:

	2019	2018	2017
Number of shares of common stock issued	**776,765,281**	616,296,114	616,296,114
Less treasury shares	**300,000**	300,000	300,000
	776,465,281	615,996,114	615,996,114

35. Contingencies and Commitments

Provisions and Contingencies

a. The Group is involved in certain claims arising from the ordinary conduct of business which are either pending decision by the courts or are being contested, the outcome of which are not presently determinable. The estimate of the probable costs for the resolution of these claims has been developed in consultation with external counsels handling the defense in these matters and is based upon an analysis of potential results. The ultimate disposition of these matters cannot be determined with certainty. The Group will exhaust all legal remedies available to it in defending itself in these claims and proceedings.

   The disclosure of additional details beyond the present disclosure may prejudice the Group's position and negotiation strategies with respect to these matters. Thus, as allowed under paragraph 92 of PAS 37, Provisions, Contingent Liabilities and Contingent Assets, only a general description is provided.

b. Prior to 2018, the Group's provisions include the Group's recognized payable associated with the Faculty Associations of Mapua Institute of Technology (FAMIT) reranking case. This case involves the faculty ranking and evaluation instrument that was part of the 2001 Collective Bargaining Agreement negotiations with the FAMIT. The Supreme Court reversed an earlier Court of Appeals decision in favor of management. An entry of judgment dated March 13, 2008 was made in the Supreme Court Book of Entries of Judgments, making the decision final and executory. A Memorandum of Agreement was entered into by management with FAMIT before the Voluntary Arbitrators wherein the parties agreed to continue the process of faculty ranking. The evaluation process was completed in December 2008.

   On January 22, 2009, MESI and FAMIT entered into a Compromise Agreement regarding the payment of the amounts due to the permanent faculty members of MESI in relation to the faculty reranking case.

   As at December 31, 2018, total accumulated payments to faculty members amounted to ₱230.78 million. Management assessed that the liability already prescribed after applying the 10-year prescription period which ended in March 2018 (Note 18).

36. Non-controlling Interests

The summarized financial information attributable to non-controlling interests for significant subsidiaries as of and for the years ended December 31, 2019, 2018 and 2017 are as shown below:

	Honda Cars Kalookan, Inc. (HCKI)[(a)]			iPeople, inc. (IPO) and Subsidiaries[(b)]			EEI Corporation (EEI) and Subsidiaries[(c)]			La Funeraria Paz Sucat, Inc. [(d)]
	2019	2018	2017	**2019**	2018	2017	**2019**	2018	2017	**2019**
Assets										
Current assets	**₱671**	₱777	₱1,020	**₱2,316**	₱1,007	₱914	**₱18,223**	₱12,536	₱13,578	**₱29**
Noncurrent assets	**235**	95	107	**13,957**	8,965	6,982	**9,824**	9,919	7,814	**127**
	906	872	1,127	**16,273**	9,972	7,896	**28,047**	22,455	21,392	**156**
Liabilities and Equity										
Current liabilities	**₱665**	₱739	₱984	**₱3,464**	₱3,310	₱1,628	**₱15,023**	₱12,514	₱13,555	**₱29**
Noncurrent liabilities	**135**	11	7	**3,076**	248	244	**4,419**	2,229	1,162	**37**
	800	750	991	**6,540**	3,558	1,872	**19,442**	14,743	14,717	**66**
Revenue	**₱2,717**	₱2,966	₱3,633	**₱2,997**	₱1,809	₱1,884	**₱23,581**	₱22,148	₱14,921	**₱141**
Net income (loss)	**(₱6)**	₱11	₱24	**274**	237	413	**₱1,155**	₱529	₱836	**₱14**
Total comprehensive income	**(₱8)**	₱9	₱24	**232**	581	714	**₱1,070**	₱1,081	₱811	**₱15**
Share of NCI in net assets	**₱48**	₱55	₱61	**₱5,044**	₱2,095	₱1,908	**₱3,902**	₱3,520	₱3,046	**₱35**
Share of NCI in net income (loss)	**(₱3)**	₱5	₱11	**₱142**	₱77	₱125	**₱524**	₱241	₱382	**₱8**
Dividends paid	**₱3**	₱11	₱–	**₱23**	₱59	₱59	**₱94**	₱–	₱–	**₱5**
Operating	**₱142**	₱109	(₱84)	**₱988**	₱556	₱586	**₱991**	(₱1,538)	(₱1,020)	**₱31**
Investing	**(10)**	4	(10)	**(1,073)**	(1,819)	(1,345)	**(235)**	(677)	(1,156)	**(15)**
Financing	**(210)**	(112)	144	**651**	1,218	518	**(633)**	2,581	1,824	**(14)**

(a) Proportion of ownership owned by non-controlling interests as of December 31, 2019 and 2018: 45.00%
(b) Proportion of ownership owned by non-controlling interests as of December 31, 2019 and 2018: 51.82% and 32.66%, respectively
(c) Proportion of ownership owned by non-controlling interests as of December 31, 2019 and 2018: 45.35% and 45.64%, respectively
(d) Proportion of ownership owned by non-controlling interests as of December 31, 2019: 37.00%

Material Partly-Owned Subsidiaries
In May 2019, the Parent Company sold the 281,642 shares of Malayan Education Systems, Inc. (MESI) to IPO, which represents 7% ownership in MESI. With this acquisition, MESI became 100% indirectly-owned subsidiary of the Parent Company through IPO. Subsequently, IPO issued 295,329,976 common shares from its unissued capital stock to AC, the parent company of AEI, in exchange for the merger of IPO and AEI, with IPO being the surviving corporation. Upon merger, the Parent Compay's ownership interest over IPO was reduced from 67.34% to 48.18%. The non-controlling interest increased from 32.66% to 51.82% or an increase of ₱2.52 billion.

In November 2019, the Parent Company purchased additional 3,000,000 EEI shares for ₱40.0 million or 10.32 per share resulting to an increase in ownership interest from 54.36% to 54.65%. The non-controlling interest decreased from 45.64% to 45.35% or a decrease of ₱40.38 million.

In March 2019, the Parent Company purchased additional 90,000 shares of LFPSI for ₱25.0 million resulting to an increase in direct ownership from 37.50% to 50.00%. The Parent Company's effective interest including its indirect ownership through MMPC is 63.00% in 2019. As a result, Parent Company has obtained control over LFPSI and started accounted for the investee as a subsidiary using consolidation method under PFRS 10. The non-controlling interest in 2019 is 27.00% or ₱38.45 million.

In July 2019, the Parent Company sold its 50% shares in ZIFC to various individuals amounting to ₱6.8 million resulting to a loss of ownership interest from 50% to 0%. The non-controlling interest disposed in 2019 is ₱12.10 million.

The Group recognized equity reserve from the changes in ownership without loss of control amounting to ₱1,821.7 million. This was included in "Equity reserve" representing the excess consideration paid for the carrying amount of the non-controlling interest.

37. **Operating Segment Information**

For management purposes, the Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

Segment financial information is reported on the basis that it is used internally for evaluating segment performance and allocating resources to segments.

The Group derives its revenue from the following reportable segments:

Construction and Infrastructure - mainly consists of revenues from EEI as a general contractor and trader of construction equipment and parts. The subsidiaries of EEI are mainly involved in the provision for manpower services, construction, trading of equipment, power generation, steel fabrication, real estate and others.

Property management - represents property and project management services of the Group.

Education - primarily consists of revenues from IPO and subsidiaries in education, consulting, development, installation and maintenance of information technology systems.

Car Dealership - represents automotive dealerships of the Group.

Other Services - represent support services which cannot be directly identified with any of the reportable segments mentioned above. These include sale of pharmaceutical products, trading of consumer goods and rendering various services to the consumers.

Segment assets and liabilities exclude deferred income tax assets and liabilities. Inter-segment income arise from transactions that were made on terms equivalent to those that prevail in an arms-length transactions.

Management monitors construction revenue and segment net income for the purpose of making decisions about resource allocation. Segment performance is evaluated based on net income and construction revenue.

Segment reporting is consistent in all periods presented as there are no changes in the structure of the Group's internal organization that will cause the composition of its reportable segment to change.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

In 2019, revenues from two (2) customers from the construction and infrastructure segment each represents 10% or more of the Group's revenue. Following are the revenue contributed by each of these customers: ₱4,557 million and ₱3,144 million.

In 2018, revenues from two (2) customers from the construction and infrastructure segment each represents 10% or more of the Group's revenue. Following are the revenue contributed by each of these customers: ₱10,193 million and ₱2,667 million.

In 2017, each of the three customers from the domestic segment contributed revenue that exceeded 10% of the Group's revenue. Following are the revenue contributed by each of these customers: ₱3,293.2 million, ₱2,253.1 million and ₱1,508.6 million.

(Amounts in Millions)

	Construction and Infrastructure			Education			Car Dealerships			Property Management			Other Services			Elimination			Consolidation		
	2019	2018	2017	2019	2018	2017	2019	2018	2017	2019	2018	2017	2019	2018	2017	2019	2018	2017	2019	2018	2017
Revenue	₱23,582	₱22,148	₱14,921	₱2,997	₱1,809	₱1,983	₱7,542	₱8,445	₱11,256	₱266	₱233	₱209	₱373	₱539	₱361	(₱629)	(₱866)	(₱1,182)	₱34,130	₱32,309	₱27,548
Net Income attributable to share of parent	₱1,156	₱533	₱836	₱255	₱211	382	(₱64)	₱41	₱124	₱89	₱90	₱64	₱1,033	₱319	₱259	(₱1,495)	(₱346)	(₱723)	₱974	₱848	₱941
Other Information																					
Segment assets	₱28,047	₱22,454	₱21,392	₱16,273	₱9,972	₱7,897	₱3,145	₱3,227	₱3,800	₱202	₱186	₱167	₱5,289	₱4,819	₱5,555	(₱959)	(₱1,058)	(₱1,459)	₱51,996	₱39,601	₱37,353
Deferred tax assets	(117)	(70)	(79)	(20)	(5)	(6)	(19)	(18)	(16)	(2)	(2)	(2)	(4)	(78)	(1)	(33)	34	–	(195)	(140)	(104)
Net segment assets	₱27,930	₱22,384	₱21,313	₱16,253	₱9,967	₱7,891	₱3,126	₱3,209	₱3,784	₱200	₱184	165	₱5,285	₱4,741	₱5,554	(₱992)	(₱1,024)	(₱1,459)	₱51,801	₱39,461	₱37,249
Segment liabilities	₱19,442	₱14,743	₱14,717	₱6,540	₱3,559	₱1,872	₱1,579	₱1,176	₱1,496	₱152	₱133	₱122	₱1,092	₱2,055	3,303	(₱303)	(₱236)	(₱508)	₱28,502	₱21,429	₱21,001
Income tax payable	(43)	(28)	(13)	(21)	(11)	(7)	(4)	–	–	(4)	(3)	(2)	(3)	(1)	(1)	–	–	–	(75)	(42)	(22)
Deferred tax liabilities	(93)	(76)	–	(658)	(209)	(177)	(156)	(147)	(137)	–	–	–	18	(2)	(6)	(134)	(110)	(92)	(1,023)	(545)	(413)
Net segment liabilities	₱19,306	₱14,639	₱14,704	₱5,861	₱3,339	₱1,688	₱1,419	₱1,029	₱1,359	₱148	₱130	₱120	₱1,107	₱2,052	₱3,296	(₱437)	(₱346)	(₱600)	₱27,404	₱20,842	₱20,566
Investments in associates and joint ventures	₱2,655	₱2,255	₱2,177	₱–	₱–	₱–	₱–	₱–	₱–	₱6	₱6	₱6	₱4,403	₱4,369	₱4,228	(₱871)	(₱1,124)	(₱1,589)	₱6,193	₱5,506	₱4,821
Equity in net earnings (losses) of associates	₱346	(₱127)	₱118	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱382	₱382	₱171	₱728	₱256	₱289
Cash flows arising from:																					
Operating activities	₱991	(₱1,604)	(₱1,020)	₱1,477	₱557	₱586	(₱170)	(₱6)	₱185	₱77	₱87	₱44	(₱790)	₱4	(₱116)	₱644	₱413	₱68	₱2,229	(₱549)	(₱253)
Investing activities	(235)	(649)	(1,156)	(1,561)	(1,820)	(1,345)	327	(9)	(69)	(6)	(2)	(5)	(186)	1	(550)	6,962	298	(6)	(5,301)	(2,181)	(3,131)
Financing activities	(633)	2,581	1,824	649	1,218	518	(270)	(137)	(16)	(74)	(90)	(57)	99	1,069	536	3,361	(1,844)	157	3,590	2,797	2,962
Capital expenditures	(512)	(803)	(569)	(1,997)	(2,107)	(1,047)	–	(40)	38	(6)	(2)	(5)	449	35	956	5,595	599	(1,751)	7,661	(2,318)	(2,378)
Interest income	26	35	56	23	11	13	1	–	–	1	–	1	10	10	12	–	(106)	(10)	61	(50)	72
Interest expense	564	300	162	107	36	4	90	62	53	–	–	–	20	–	57	–	57	–	781	456	276
Provision for income tax	343	435	255	68	28	48	4	5	13	26	27	20	18	12	53	–	(9)	7	459	498	396
Earnings before income tax	1,499	964	1,087	342	265	461	(60)	45	150	115	117	84	1,051	332	416	(838)	(60)	(351)	2,109	1,663	1,859
Earnings before income tax and depreciation and amortization	2,865	1,672	1,728	509	484	670	165	103	201	87	120	87	1,123	339	420	(846)	(65)	(336)	3,902	2,653	2,770
Noncash items:																					
Additional revaluation increment on land	₱–	₱–	₱–	₱2	₱389	₱315	₱42	₱22	₱37	₱–	₱–	₱–	₱80	₱–	₱–	(₱82)	(₱3)	₱54	₱124	₱408	₱406
Depreciation and amortization	809	708	641	902	219	209	135	58	51	3	3	3	9	7	4	(492)	(5)	15	1,366	990	923

38. Financial Instruments and Financial Risk Management Objectives and Policies

Financial Risk Management Objectives and Policies
The main purpose of the Group's financial instruments is to raise finances for the Group's operations.

The main risks arising from the Group's financial instruments are liquidity risk, market risk, and credit risk. The BOD reviews and agrees on the policies for managing these risks, as well as approving and authorizing risk limits set by management, summarized below. There were no changes in the policies for managing these risks.

a. *Liquidity risk*
Liquidity risk is the risk that the Group will be unable to meet its payment obligations as they fall due. The Group seeks to manage its liquidity risk to be able to meet its operating cash flow requirements, finance capital expenditures and service maturing debts. As an inherent part of its liquidity risk management, the Group regularly evaluates its projected and actual cash flows. To cover its short-term and long-term funding requirements, the Group intends to use internally generated funds and available short-term and long-term credit facilities.

The tables below summarize the maturity profile of the Group's financial assets and financial liabilities as at December 31 based on undiscounted contractual cash flows.

			2019		
	On demand	**< 1 year**	**1 to < 2 years**	**> 2 years**	**Total**
Financial Liabilities					
Accounts payable and accrued expenses*(Note 18)	**₱7,215,918,280**	**₱503,148,490**	**₱204,393,465**	**₱498,451,803**	**₱8,421,912,038**
Bank loans					
Peso loan (Note 19)	**45,000,000**	**8,348,800,000**	–	–	**8,393,800,000**
Interest	–	**27,271,246**	–	–	**27,271,246**
Long-term debt (Note 20)					
Peso loan	–	–	–	**3,305,974,841**	**3,305,974,841**
Interest	–	**106,453,849**	**62,701,214**	**15,200,650**	**184,355,713**
Due to related parties	**126,417,175**	–	–	–	**126,417,175**
	7,387,335,455	**8,985,673,585**	**267,094,679**	**1,023,910,482**	**19,690,542,091**
Financial Assets					
Cash (Note 6)					
Cash on hand and in banks	**1,676,600,484**	–	–	–	**1,676,600,484**
Short-term investments	**1,010,068,590**	–	–	–	**1,010,068,590**
Accounts receivables (Note 7)					
Trade receivables	**4,132,893,711**	**1,724,411,909**	–	–	**5,857,305,620**
Receivables from plant	**56,369,572**	–	–	–	**56,369,572**
Others	**532,894,905**	–	**13,809,313**	–	**546,704,218**
Loan receivables	–	–	–	–	–
Receivable from related parties	**71,235,301**	–	–	–	**71,235,301**
	7,480,062,563	**1,724,411,909**	**13,809,313**	–	**9,218,283,785**
Liquidity gap (position)	**(₱92,727,108)**	**₱7,261,261,676**	**₱253,285,366**	**₱1,013,140,445**	**₱10,472,258,306**

**Excluding statutory liabilities*

	2018				
	On demand	< 1 year	1 to < 2 years	> 2 years	Total
Financial Liabilities					
Accounts payable and accrued expenses*	₱4,415,207,346	₱826,520,126	₱225,779,705	₱389,666,533	₱5,857,173,710
Bank loans					
Peso loan (Note 19)	–	10,519,000,000	–	–	10,519,000,000
Interest	–	199,925,161	–	–	199,925,161
Long-term debt (Note 20)					
Peso loan	–	1,052,383,112	1,123,811,684	619,043,299	2,795,238,095
Interest	–	106,453,849	62,701,214	15,200,650	184,355,713
Due to related parties	134,849,412	–	–	–	134,849,412
	4,550,056,758	12,704,282,248	1,412,292,603	1,023,910,482	19,690,542,091
Financial Assets					
Cash (Note 6)					
Cash on hand and in banks	1,465,702,110	–	–	–	1,465,702,110
Short-term investments	573,962,714	–	–	–	573,962,714
Accounts receivables (Note 7)					
Trade receivables	1,599,710,357	2,758,426,119	7,477,655	5,821,653	4,371,435,784
Receivables from plant	52,527,813	–	–	–	52,527,813
Others	517,571,507	–	1,582,831	4,948,384	524,102,722
Loan receivables	–	10,105,165	4,184,658	–	14,289,823
Receivable from related parties	145,966,212	–	–	–	145,966,212
	4,355,440,713	2,768,531,284	13,245,144	10,770,037	7,147,987,178
Liquidity gap (position)	₱194,616,045	₱9,935,750,964	₱1,399,047,459	₱1,013,140,445	₱12,542,554,913

**Excluding statutory liabilites*

b. *Market risk*

Market risk is the risk of loss to future earnings, to fair values or to future cash flows that may result from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in equity prices, foreign currency exchange rates and interest rates.

c. *Equity price risk*

The Group's equity price risk exposure at year-end relates to financial assets whose values will fluctuate as a result of changes in market prices, principally, equity securities classified as available-for-sale securities.

Quoted available-for-sale securities assets are subject to price risk due to changes in market values of instruments arising either from factors specific to individual instruments or their issuers or factors affecting all instruments traded in the market. The Group's market risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments; diversification plan; and limits on investment in each industry or sector.

The analysis below is performed for reasonably possible movements in the market index with all other variables held constant, showing the impact on equity.

	2019		2018	
Market Index	**Change in variable**	**Effect on equity**	Change in variable	Effect on equity
PSE	**7.94%**	**₱1,340,776**	15.04%	₱2,996,406
	(7.94%)	**(1,340,776)**	(15.04%)	(2,996,406)
Others	**14.40%**	**863,858**	17.57%	1,010,337
	(14.40%)	**(863,858)**	(17.57%)	(1,010,337)

The percentage of increase and decrease in market price is based on the movement in the Philippine Stock Exchange Index (PSEI) and other market index pertaining to golf and country club shares from beginning to end of the year. The sensitivity analyses shown above are based on the assumption that the movement in PSE composite index and other quoted equity securities will be most likely be limited to an upward or downward fluctuation of 5% and 26% in 2019, respectively, and 5% and 26% in 2018, respectively.

The impact of sensitivity of equity prices on the Group's equity already excludes the impact on transactions affecting the consolidated statements of income.

Foreign currency risk
Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's currency risk arise mainly from cash and receivables which are denominated in a currency other than the Group's functional currency or will be denominated in such a currency.

Foreign currency risk is monitored and analyzed systematically and is managed centrally by the central finance department. The Group's policy is to maintain foreign currency exposure within existing internal regulations, and within acceptable risk limits as approved by the BOD.

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar (USD, US$), Singaporean dollar (SGD, S$), Euro (EUR, €), Japanese yen (JPY, ¥) and British pound (GBP, £) currency rates, with all variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

	2019		2018	
	Percentage increase/ decrease in foreign currency	**Effect on profit before tax**	Percentage increase/ decrease in foreign currency	Effect on profit before tax
USD	**2.70%**	**2,383,953**	0.10%	100,100
SGD	**2.00%**	**13,564**	0.20%	1,938
EUR	**1.50%**	**73,079**	3.20%	506,330
JPY	**2.10%**	**1,658,631**	2.00%	13,697
GBP	**0.10%**	**–**	1.70%	–
USD	**-2.70%**	**(2,383,953)**	-0.10%	(100,100)
SGD	**-2.00%**	**(13,564)**	-0.20%	(1,938)
EUR	**-1.50%**	**(73,079)**	-3.20%	(506,330)
JPY	**-2.10%**	**(1,658,631)**	-2.00%	(13,697)
GBP	**-0.10%**	**–**	-1.70%	–

The forecasted movements in percentages used were sourced by management from an affiliated bank. These are forecasted movements in the next twelve months.

The foreign currency-denominated financial assets and financial liabilities in original currencies and equivalents to the functional and presentation currency are as follows:

	2019					
	SD[1]	**SGD[2]**	**EUR[3]**	**JPY[4]**	**GBP[4]**	**Equivalents in PHP**
Financial assets						
Cash and cash equivalents	**US$844,322**	**S$18,222**	**€19,803**	**¥291,383**	**£–**	**₱15,430,509**
Receivables	**1,321,728**	**-**	**530**	**1,439,193**	**–**	**67,765,856**
	2,166,050	**18,222**	**20,333**	**1,730,576**	**–**	**83,196,365**
Financial liabilities						
Accounts payable and accrued expenses	**419,565**	**–**	**106,431**	**170,508,916**	**–**	**106,216,482**
	US$1,746,485	**S$18,222**	**(€86,098)**	**¥168,778,340**	**(£–)**	**₱(23,020,117)**

[1] Exchange rate used - ₱50.74 to US$1
[2] Exchange rate used - ₱37.49 to S$1
[3] Exchange rate used - ₱56.35 to €1
[4] Exchange rate used - ₱0.46 to ¥1
[5] Exchange rate used - ₱65.99 to £1

	2018					
	USD[1]	SGD[2]	EUR[3]	JPY[4]	GBP[4]	Equivalents in PHP
Financial assets						
Cash and cash equivalents	US$2,879,943	S$28,026	€10,900	¥208,852	£–	₱153,537,379
Receivables	1,694,556			1,229,193	–	89,927,765
	4,574,499	28,026	10,900	1,438,045	–	243,465,144
Financial liabilities						
Accounts payable and accrued expenses	268,711	–	275,454	–	–	30,780,451
	US$4,305,788	S$28,026	(€264,554)	¥1,438,045	£–	₱212,684,693

[1] Exchange rate used - ₱52.72 to US$1
[2] Exchange rate used - ₱38.47 to S$1
[3] Exchange rate used - ₱60.31 to €1
[4] Exchange rate used - ₱0.48 to ¥1
[5] Exchange rate used - ₱66.7 to £1

There are no other effects of the foreign currency sensitivity on the Group's equity other than those already affecting the consolidated statements of income.

Interest rate risk
The Group's exposure to market risk for changes in interest rates relates primarily to the Group's short-term and long-term obligations.

In order to effectively manage its interest rate risk and its financing costs, the Group closely monitors the movements of interest rates, as well as, economic factors affecting the trends of these movements. In certain cases, depending on its assessment of future movements of interest rates, the Group would pre-terminate its debt and obtain a new loan facility which provides for either floating or fixed interest rates. This is intended to minimize its financing costs.

The table below demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings):

	2019		2018	
	Increase/decrease in basis points	**Effect on profit before tax**	Increase/decrease in basis points	Effect on profit before tax
Peso floating rate borrowing	**+405**	**(₱16,905,088)**	+184	(₱9,523,400)
	-405	**16,905,088**	-184	9,523,400

The forecasted movements in percentages of interest rates used were sourced by management from an affiliated bank. These are forecasted movements in the next twelve months.

There are no other impact on the Group's equity other than those already affecting the consolidated statements of income.

d. *Credit risk*
The Group's exposure to credit risk on its receivables relates primarily to the inability of the debtors to pay and fully settle the unpaid balance of receivables owed to the Group. The Group manages its credit risk in accordance with its credit risk policies which requires the evaluation of the creditworthiness of the debtors. The Group's exposure to credit risk on its other receivables from debtors and related parties is managed through close account monitoring and setting limits.

For a financial asset that arises from long-term construction contracts, the Group considers the asset to be in default if contractual payments are not settled within 90 days from the completion of the construction project. The Group's normal credit terms for construction projects is within 90 days based on its historical experience. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

The Group's maximum credit risk exposure for its secured loans receivables is equal to its carrying value amounting nil and ₱24.9 million in 2019 and 2018, respectively. The Group holds collateral against these loans receivables in the form of mortgage interests over property. The fair values of the collateral amounts to nil and ₱2.1 billion in 2019 and 2018. This resulted to a nil net exposure as at December 31, 2018 and 2017.

With respect to credit risk arising from cash and cash equivalents, unsecured loans receivables, accounts receivable, due from related parties, available-for-sale securities and receivables from EEI- RFI, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

As at December 31, the analysis of financial assets that were past due but not impaired follows:

	2019						
	Neither past due nor impaired	Past due but not impaired < 30 days	30 - 60 days	60 - 90 days	> 90 days	Impaired Assets	Total
Cash in bank and cash equivalents (Note 6)	₱2,686,669,074	₱–	₱–	₱–	₱–	₱–	₱2,686,669,074
Loans receivable	–	–	–	–	–	–	14,289,823
Receivables from:							
Construction and infrastructure	1,785,815,920	870,870,584	327,501,827	359,077,073	745,111,512	20,364,075	4,108,740,991
Car dealership	579,405,679	114,017,406	45,531,488	16,583,070	18,445,791	39,310,600	708,660,520
Education	225,366,564	10,615,569	2,047,423	3,418,382	–	61,347,299	901,585,558
Other services	38,337,095	40,363,272	4,800,174	2,180,059	4,080,986	7,835,959	114,165,831
Other receivables:							
Receivables from plant	47,222,895					5,304,918	56,369,572
Others	351,175,500	21,430,714	3,812,160	10,475,684	80,703,350	56,505,314	524,102,722
Miscellaneous deposits	4,876,749	6,650,647	476,098	4,132,224	89,229,103	3,335,193	108,700,014
Due from related parties	71,235,301	–	–	–	–	–	71,235,301
Receivable from a customer	35,174,526	–	–	–	–	–	35,174,526
Receivable from EEI Retirement Fund, Inc. (Notes 7 and 17)	78,000,000	–	–	–	–	–	78,000,000
	₱4,424,384,481	₱236,723,814	₱468,889,691	₱259,742,941	₱1,894,931,081	₱236,427,322	₱7,521,099,330

	2018						
	Neither past due nor impaired	Past due but not impaired < 30 days	30 - 60 days	60 - 90 days	> 90 days	Impaired Assets	Total
Cash in bank and cash equivalents (Note 6)	₱2,039,309,828	₱–	₱–	₱–	₱–	₱–	₱2,039,309,828
Loans receivable	14,289,823	–	–	–	–	–	14,289,823
Receivables from:							
Construction and infrastructure	705,246,761	47,033,807	411,702,482	225,313,386	1,715,597,141	52,855,392	3,157,748,969
Car dealership	579,405,679	114,017,406	45,531,488	16,583,070	18,445,791	39,310,600	813,294,034
Education	225,366,564	10,615,569	2,047,423	3,418,382	–	61,347,299	302,795,237
Other services	38,337,095	40,363,272	4,800,174	2,180,059	4,080,986	7,835,959	97,597,545
Other receivables:							
Consultancy fee	–	–	–	–	–	–	–
Receivables from plant	47,222,895					5,304,918	52,527,813
Others	351,175,500	21,430,714	3,812,160	10,475,684	80,703,350	56,505,314	524,102,722
Miscellaneous deposits	1,251,122	3,263,046	995,964	1,772,360	76,103,813	3,572,151	86,958,456
Due from related parties	145,966,212	–	–	–	–	–	145,966,212
Receivable from a customer	143,813,001	–	–	–	–	9,695,689	153,508,690
Receivable from EEI Retirement Fund, Inc. (Notes 7 and 17)	133,000,000	–	–	–	–	–	133,000,000
	₱4,424,384,480	₱236,723,814	₱468,889,691	₱259,742,941	₱1,894,931,081	₱236,427,322	₱7,521,099,329

There are no past due financial assets other than those stated above.

The following table provides information regarding the credit quality by class of financial assets (amounts gross of allowance for credit losses) based on the Group's credit rating system.

	2019			
	Neither past due nor impaired		Past due or Individually	
	High Grade	Standard	Impaired	Total
Cash in banks and cash equivalents	**₱2,686,669,074**	**₱–**	**₱–**	**₱2,686,669,074**
Loans receivable	–	–	–	-
Receivables from:				
Construction and infrastructure	**2,504,001,799**	**600,891,778**	**52,855,392**	**3,157,748,969**
Car dealership	**773,983,434**	–	**39,310,600**	**813,294,034**
Education	**206,288,341**	**35,159,597**	**61,347,299**	**302,795,237**
Other services	**47,599,315**	**42,162,271**	**7,835,959**	**97,597,545**
Other receivables:				
Rent receivable	**202,463**	**88,818**	**430,517**	**721,798**
Others	**537,478,609**	**29,825,901**	**71,075,404**	**638,379,914**
Receivable from sale of investment properties	**22,790,885**	–	–	**22,790,885**
Due from related parties	**126,417,175**	–	–	**126,417,175**
Receivable from a customers	**35,174,525**	–	–	**35,174,525**
Receivables from EEI Retirement Fund, Inc.	**78,000,000**	–	–	**78,000,000**
Miscellaneous deposits	**83,051,923**	**571,340**	**3,572,151**	**87,195,414**
	₱6,877,808,585	**₱708,699,705**	**₱236,427,322**	**₱7,822,935,612**

	2018			
	Neither past due nor impaired		Past due or Individually	
	High Grade	Standard	Impaired	Total
Cash in banks and cash equivalents	₱2,007,098,986	₱–	₱–	₱2,007,098,986
Loans receivable	14,289,823	–	–	14,289,823
Receivables from:				
Construction and infrastructure	2,504,001,799	600,891,778	52,855,392	3,157,748,969
Car dealership	773,983,434	–	39,310,600	813,294,034
Education	206,288,341	35,159,597	61,347,299	302,795,237
Other services	47,599,315	42,162,271	7,835,959	97,597,545
Other receivables:				
Consultancy fee	–	–	–	–
Rent receivable	202,463	88,818	430,517	721,798
Others	537,478,609	29,825,901	71,075,404	638,379,914
Receivable from sale of investment properties	281,034,679	–	–	281,034,679
Due from related parties	145,966,212	–	–	145,966,212
Receivable from a customers	143,813,001	–	–	143,813,001
Receivables from EEI Retirement Fund, Inc.	133,000,000	–	–	133,000,000
Miscellaenous deposits	83,051,923	571,340	3,572,151	87,195,414
	₱6,877,808,585	₱708,699,705	₱236,427,322	₱7,822,935,612

Neither past due nor impaired accounts receivables, other receivables are classified into 'high grade' and 'standard grade'. Neither past due nor impaired cash and cash equivalents, loans receivable, due from related parties, receivable from a customer and receivables from EEI-RFI are normally 'high grade' in nature. The Group sets financial assets as 'high grade' based on the Group's positive collection experience. On the other hand, 'standard grade' are those which have credit history of default in payments.

The Company has the following financial assets that are subject to the expected credit loss model under PFRS 9:

- Cash and cash equivalents;
- Receivables;
- Contract assets
- Advances to officers and employees

The ending loss allowances as of December 31, 2019 and 2018 reconcile to the opening loss allowances as follows:

	2019	2018
Balances as of January 1	**₱232,855,171**	₱237,931,072
Provisions	**53,328,702**	1,012,516
Write off (Note 7)	**(140,349)**	(6,088,417)
Balances as of December 31	**₱286,043,524**	₱232,855,171

Credit Quality
The Group maintains internal credit rating system. Neither past due nor impaired financial assets are graded as either “A” or “B” based on the following criteria:

- Grade A are accounts considered to be of high value. The counterparties have a very remote likelihood of default and have consistently exhibited good paying habits.

- Grade B are active accounts with minimal to regular instances of payment default, due to collection issues. These accounts are typically not impaired as the counterparties generally respond to the Group’s collection efforts and update their payments accordingly.

Cash in banks and cash equivalents are short-term placements and working cash fund placed, invested or deposited in reputable foreign and local banks in the Philippines. These financial assets are classified as Grade A due to the counterparties’ low probability of insolvency.

Receivables and receivables from related parties are Grade A because they are from related parties, employees and accredited customers who are highly reputable, progressive and consistently pay their accounts.

Security and other deposits and construction bond are Grade A since these were paid to creditworthy third parties.

The Group’s financial assets considered as neither past due nor impaired are all graded “A” based on the Group’s assessment.

A summary of Group exposure to credit risk under general and simplified approach as of December 31, 2019 and 2018 follows:

2019

	General Approach			Simplified
	Stage 1	Stage 2	Stage 3	Approach
Amortized cost				
Cash and cash equivalents	₱2,686,669,074	₱–	₱–	₱–
Trade receivables	–	–	–	5,857,305,620
Nontrade receivables	675,224,629	–	–	–
Contract asset	–	–	–	9,492,566,375
FVOCI	1,147,773,806	–	–	–
Total gross carrying amounts	14,002,233,884	–	–	15,349,871,995
Less allowance	–	–	–	295,116,295
	₱14,002,233,884	₱–	₱–	₱15,054,755,700

2018

	General Approach			Simplified
	Stage 1	Stage 2	Stage 3	Approach
Amortized cost				
Cash and cash equivalents	₱2,686,669,074	₱–	₱–	₱–
Trade receivables	–	–	–	4,371,435,785
Nontrade receivables	641,440,576	–	–	–
Contract asset	–	–	–	13,257,601
FVOCI	974,709,294	–	–	–
Total gross carrying amounts	4,302,818,944	–	–	4,384,693,386
Less allowance	–	–	–	246,112,772
	₱4,302,818,944	₱–	₱–	₱4,138,580,614

In 2019 and 2018, there were no movements between stage 1, 2 and 3.

Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group which is composed of diversified operations (i.e. construction and infrastructure operations, education and finance and leasing activities) manages its capital on a per entity basis. Each entity manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended December 31, 2019 and 2018.

As at December 31, 2019 and 2018, the Group is subject to externally imposed capital requirements from its debt covenants including maintaining a maximum debt-to-equity structure ratio of 3:1 on NTC's unsecured bank loan and debt-to-equity structure ratio of 2.5:1 on the Parent Company's unsecured bank loan (Note 20). As of December 31, 2019 and 2018, the Group has complied with the provisions of the debt covenants. The Group considers total equity as its capital.

Parent Company, EEI and IPO

The Parent Company, EEI (construction and infrastructure operations) and IPO (education) monitor capital using gearing ratio. The Parent Company, EEI and IPO's policies are to keep the gearing ratio up to a maximum of 2:1, 3:1 and 2:1, respectively.

	2019	2018
Current liabilities	**₱15,026,914,112**	₱18,043,467,838
Noncurrent liabilities	**4,421,638,989**	2,727,341,438
Total liabilities (a)	**19,448,553,101**	20,770,809,276
Equity (b)	**8,614,509,528**	18,755,365,291
Debt to Equity Ratio (a/b)	**0:78:1**	0:90:1

Fair Value Information

The Group uses the following hierarchy in determining and disclosing the fair value of financial instruments by valuation techniques:

- *Level 1* - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- *Level 2* - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

- *Level 3* - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

- *Cash and cash equivalents, receivables, due from related parties, accounts payable and other current liabilities, short-term loans and due to related parties* - carrying amounts approximate fair values due to the short-term nature of these accounts.

- *Receivable from EEI RFI* (Note 7 and 17)
  The fair values of the receivable amounting to ₱78 million and ₱133 million as of December 31, 2019 and 2018, respectively, were estimated as the present value of all future cash flows discounted using the applicable rates for similar types of loans (Level 2 - significant observable inputs). Discount rates used in 2019 and 2018 were 3.74% and 7.02%, respectively.

- *Interest-bearing trade receivables* (Notes 7 and 17)
  The fair value of interest-bearing trade receivables amounting to ₱86.7 million and ₱153.5 million as of December 31, 2019 and 2018, respectively, was estimated as the present value of all future cash flows discounted using the applicable rates for similar types of loans (Level 2 - significant observable inputs). Discount rate used in 2019 and 2018 was 3.74% and 7.02%, respectively.

- *Receivable from sale of investment properties* (Notes 7 and 17)
  The fair value of the receivable from sale of investment property amounting to ₱22.8 million and ₱281.0 million as of December 31, 2019 and 2018, respectively, was estimated as the present value of all future cash flows discounted using the applicable rates for similar types of loans (Level 2 - significant observable inputs). Discount rate used in 2019 and 2018 was 3.74% and 7.02%, respectively.

- *Financial assets at FVPL*
  The fair values are based on net assets value per unit. Fair values of financial assets at FVPL amounting to ₱8.7 million as of December 31, 2019 and 2018, were determined based on quoted prices of equity and debt instruments listed with exchanges.

- *Equity investments at FVOCI* (Note 11)
  Quoted investments
  Fair value of investments in equity shares listed with Philippine Stock Exchange amounting to ₱107.3 million and ₱63.1 million as of December 31, 2019 and 2018, respectively, were determined by reference to the quoted price in the stock exchange at the end of the reporting period (Level 1 - quoted prices in active market).

  Fair values of investments in club/golf shares amounting to ₱18.5 million and ₱17.5 million as of December 31, 2019 and 2018, respectively, were determined by reference to the price of the most recent transaction at the end of the reporting period (Level 2 - significant observable inputs).

Unquoted investments

PetroGreen Energy Corporation (PGEC)

The fair value of the Group’s investment in PGEC is determined by an independent third party professional services firm using the discounted cash flow model. PGEC is a holding company and has investments in the following subsidiaries, namely, Maibarara Geothermal, Inc. and PetroSolar Corporation and PetroWind Energy, a joint venture, Inc. as of December 31, 2019. All investees are engaged in the business of generating power through renewable sources of energy.

The significant unobservable inputs (Level 3) used in the fair value measurement of PGEC are as follows:

- Discount rate: 7.56% - 10.10% (1% decrease in the discount rates could increase the fair value of the Group’s investment in PGEC by ₱82.6 million.)
- Zero growth rate was used as assumption since the operating life of subsidiaries is limited to 25-year projection
- Electricity prices used in calculating revenue:
  - Maibarara Geothermal, Inc.: Electricity price based on electricity supply agreement with a customer
  - PetroSolar Corporation: Feed-in tariff rate of ₱8.69 per kWH
  - PetroWind Energy, Inc: Feed-in tariff rates of ₱6.75 to ₱7.40 per kWH

Hermosa Ecozone Development Corporation (HEDC)

The fair value of the Group’s investment in HEDC is determined using the adjusted net asset approach wherein the assets of HEDC consisting mainly of parcels of land are adjusted from cost to their fair value. The valuation was performed by an independent SEC-accredited appraiser as of December 31, 2019.

The significant unobservable inputs (Level 3) used in the fair value measurement of PGEC are as follows:

The fair values of the land were determined using the market approach which is a valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable assets and adjusted to reflect differences on size (20%), location (20%) and facilities and utilities (5%). Significant favorable (unfavorable) adjustments to the aforementioned factors based on the professional judgment of the independent appraisers would increase (decrease) the fair value of land. Depending on the status of the development, the value of the land per sqm ranges from ₱530 to ₱4,300.

A 5% increase (decrease) in the appraised value of the land per sqm could increase (decrease) the Group’s investment by ₱24.5 million.

- *Long-term debt* (Note 20)

  The carrying value approximates the fair value using the EIR method because future payments are discounted based on interest at market rate.

  The fair values of the interest-bearing long-term debt amounting to ₱4,691.7 million and ₱2,795.2 million as of December 31, 2019 and 2018, respectively, were estimated as the present value of all future cash flows discounted using the applicable rates for similar types of loans (Level 2 -significant observable inputs). Discount rates used in 2019 and 2018 were and 5.11% to 7.02%, respectively.

- *Lease liability* (Note 14)
  The fair values of the lease liability amounting to ₱1,538.66 million and nil as of December 31, 2019 and 2018, respectively, were estimated as the present value of all future cash flows discounted using the applicable rates for similar types of liability (Level 2 - significant observable inputs). Discount rates used in 2019 and 2018 were 5.54% and 9.19%, respectively.

- *Retention payable*
  The fair values of the retention payable which is included in other noncurrent liabilities amounting to ₱210.3 million as of December 31, 2019 were estimated as the present value of all future cash flows discounted using the applicable rates for similar types of loans (Level 2 - significant observable inputs). Discount rates used in 2019 and 2018 were 3.74% and 7.02%, respectively.

As at December 31, 2019 and 2018, there were no transfers between Level 1 and Level 2 fair value measurements. There are no financial assets and financial liabilities recognized at fair value based on Level 3 and there are no transfers in and out of Level 3 categories in 2019 and 2018. No financial instrument fall within Level 3.

There were no transfers between levels of fair value measurements in 2019 and 2018. No transfers between any levels of the fair value hierarchy took place in the equivalent comparative period.

39. Capital Stock

The authorized preferred stock is 2,500,000,000 shares at ₱0.40 par value. A reconciliation of the number of preferred shares outstanding as at December 31, 2019, 2018 and 2017 follows:

	2019		2018		2017	
	Amount	**Shares**	Amount	Shares	Amount	Shares
Beginning of the year	**247,414,156**	**618,535,387**	₱253,758,109	634,395,272	₱280,802,820	702,007,052
Redemption of preferred stock			(6,343,953)	(15,859,885)	(27,044,711)	(67,611,780)
Conversion of preferred stock to common stock	**(240,703,754)**	**(601,759,386)**	–	–	–	–
	₱6,710,402	**16,776,001**	₱247,414,156	618,535,387	₱253,758,109	634,395,272

The authorized common stock is 1,250,000,000 shares at ₱1.50 par value. A reconciliation of the number of common shares outstanding as at December 31, 2019, 2018 and 2017 follows:

	2019		2018		2017	
	Amount	**Shares**	Amount	Shares	Amount	Shares
Beginning of the year	**₱924,444,172**	**616,296,114**	₱924,444,172	616,296,114	₱924,444,172	616,296,114
Treasury stock	**(2,607,600)**	**(300,000)**	(2,607,600)	(300,000)	(2,607,600)	(300,000)
Conversion of preferred stock	**240,703,754**	**160,469,167**	–	–	–	–
	₱1,162,540,326	**776,465,281**	₱921,836,572	615,996,114	₱921,836,572	615,996,114

On May 24, 2013, the Parent Company repurchased 300,000 shares held as treasury stock at ₱8.69 per share for ₱2.61 million.

Details of the capital redemption and conversion follow:

Date of Redemption	Amount		Record Date	Payment Date
April 6, 2018	₱6,343,953	₱0.40	May 3, 2018	May 30, 2018
March 31, 2017	₱7,020,070	₱0.40	April 28, 2017	May 21, 2017
July 21, 2017	6,844,569	0.40	August 18, 2017	September 12, 2017
September 29, 2017	6,673,454	0.40	October 27, 2017	November 24, 2017
December 8, 2017	6,506,618	0.40	January 4, 2018	January 30, 2018
	₱27,044,711			
March 31, 2016	₱7,768,247	₱0.40	April 28, 2016	May 24, 2016
July 15, 2016	7,574,040	0.40	August 12, 2016	September 8, 2016
September 30, 2016	7,384,690	0.40	October 28, 2016	November 24, 2016
December 2, 2016	7,200,072	0.40	December 29, 2016	January 23, 2017
	₱29,927,049			

In 2019, the Parent Company issued 160,169,167 common shares at 1.50 per share for the conversion of 601,759,386 preferred shares at 0.40 per share or ₱240,703,754. There was no capital redemption made during 2019.

The Parent Company's preferred shares have the following features:

a) Entitled to dividends at the rate of average 91-day T-Bill plus two percent;
b) Fully participating as to distribution of dividends;
    a. Convertible into common shares at the option of the holders thereof from the date of issue at the conversion rate of 3 and 3/4 preferred shares to 1 common share for a price of ₱1.50 per common share subject to adjustments;
c) Redeemable at any one time or from time to time, at the option of the BOD of the Parent Company, subject to availability of funds; and
d) With voting rights and preferences as to assets upon dissolution of the Parent Company over common shareholders.

Below is the summary of the outstanding number of shares and holders of security as at December 31, 2019:

Year	Number of shares registered	Issue/offer price	Date of approval	Number of holders of securities
Preferred shares:				
January 1, 2016	776,824,673			48
Movement:	(19,420,617)	0.40	March 31, 2016	
	(18,935,100)	0.40	July 15, 2016	
	(18,461,723)	0.40	September 30, 2016	
	(18,000,181)	0.40	December 2, 2016	
December 31, 2016	702,007,052			48
Conversion	–			
December 31, 2016	702,007,052			
Movement:	(17,550,176)	0.40	March 31, 2017	
	(17,111,422)	0.40	July 21, 2017	
	(16,683,636)	0.40	September 29, 2017	
	(16,266,546)	0.40	December 8, 2017	
December 31, 2017	634,395,272			48
Movement	(15,859,885)	0.40	April 6, 2018	
December 31, 2018	618,535,387			48
Movement	(601,759,386)			
December 31, 2019	**16,776,001**			**42**

(Forward)

Year	Number of shares registered	Issue/offer price	Date of approval	Number of holders of securities
Common Shares:				
January 1, 2017	615,996,114			402
Conversion	–	–		
December 31, 2017	615,996,114			394
No Movement	–	–		
December 31, 2018	615,996,114			386
Movement	160,469,167			
December 31, 2019	**776,465,281**			**384**

SEC approved the registration of the Parent Company's authorized capital stock before its listing date with the PSE, which was on July 2, 1962. The actual number of shares initially listed were 584,085 at an offer price of ₱10.0 per share. Total number of preferred and common shareholders was 42 and 384, respectively, as of December 31, 2019 and 48 and 386, respectively, as of December 31, 2018.

40. Retained Earnings

Cash Dividends

The BOD declared cash dividends in 2019, 2018 and 2017 as follows:

		Amount per share			
Date of BOD Approval	Amount	Preferred Shares	Common Shares	Record Date	Payment Date
April 5, 2019	**₱4,688,498**	₱0.00758	**₱–**	May 2, 2019	May 28, 2019
July 19, 2019	**4,459,640**	0.00721	–	August 15, 2019	September 10, 2019
July 19, 2019	**50,758,965**	0.01733	**0.065**	August 15, 2019	September 10, 2019
October 4, 2019	**3,349,141**	0.005415	–	October 31,2019	November 20, 2019
December 6, 2019	**85,860**	0.005118	–	January 2, 2020	January 28, 2020
	₱63,342,105				
April 6, 2018	₱2,949,050	₱0.005	₱–	May 3, 2018	May 29, 2018
July 20, 2018	3,342,256	0.005	–	August 16, 2018	September 11, 2018
July 20, 2018	50,758,966	0.017	0.065	August 16, 2018	September 11, 2018
September 28, 2018	3,273,289	0.005	–	October 25, 2018	November 21, 2018
December 18, 2018	4,449,125	0.007	–	January 11, 2019	February 6, 2019
	₱64,772,686				
March 31, 2017	₱2,915,295	₱0.004	₱–	April 28, 2017	May 21, 2017
July 21, 2017	51,901,385	0.017	0.065	August 18, 2017	September 12, 2017
July 21, 2017	2,878,826	0.004	–	August 18, 2017	September 12, 2017
September 29, 2017	2,756,804	0.004	–	October 27, 2017	November 24, 2017
December 12, 2017	2,616,311	0.004	–	January 4, 2018	January 29, 2018
	₱63,068,621				

On December 31, 2019 and 2018, the Company's BOD approved additional appropriation of retained earnings amounting to ₱400 million and ₱2,100 million, respectively, for planned investments and business expansion that the Parent Company intends to carry out for 2-3 years.

Retained earnings include ₱2,524.4 million and ₱2,116.1 million as of December 31, 2019 and 2018, respectively, representing treasury shares, appropriated retained earnings and deferred tax assets that are not available for dividend declaration. After reconciling items, the retained earnings of the Parent Company that are available for dividend declaration amounted to ₱1,305.4 million and ₱812.4 million as of December 31, 2019 and 2018, respectively.

Under the Tax Code, publicly-held Corporations are allowed to accumulate retained earnings in excess of capital stock and are exempt from improperly accumulated earnings tax.

Restrictions
The Group's retained earnings include accumulated earnings of subsidiaries, associate and joint venture amounting to ₱6,305.9 million and ₱6,286.5 million as of December 31, 2019 and 2018, respectively, not declared as dividends to the Group. Accordingly, these are not available for dividend declaration.

As of December 31, 2019 and 2018, Group's retained earnings is restricted to payment of dividends to the extent of the cost of shares held in treasury and deferred tax asset amounting to ₱24.4 million and ₱16.1 million, respectively.

41. **Events After the Financial Reporting Date and Other Matters**

a. On March 30, 2020, the BOD approved the redemption of 16,766,001 preferred shares at par value with a total amount of ₱6.71 million to the stockholders of the Parent Company's preferred shares on record as of April 27, 2020, payable on May 20, 2020.

b. On March 30, 2020, the BOD approved the declaration of cash dividends of ₱0.00516 per share with a total amount of ₱0.09 million to the stockholders of the Parent Company's preferred shares on record as of April 27, 2020, payable on May 20, 2020.

c. In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an enhanced community quarantine throughout the island of Luzon until April 12, 2020, which was subsequently extended to May 31, 2020. These measures have caused disruptions to businesses and economic activities, and its impact on businesses continue to evolve.

   Risks and Impacts of COVID-19
   The Group, in cooperation with the Yuchengco Group of Companies Business Continuity Management - Disaster Recovery Management ("YGC BCM-DRM) Council have taken the necessary precautionary measures to mitigate the risks that may cause disruptions to its various businesses.

   1. Risk to the health and safety of employees, clients, suppliers, and communities. House of Investments and its subsidiaries have adopted the Department of Health guidelines and regularly give advisories on COVID-19 precautionary measures to ensure compliance with the Inter-Agency directives on Community Quarantine. The Group has also adopted its own protocols, including, but not limited to regular and frequent disinfection of buildings and office premises, temperature checks at all entry points and restricting entry of visitors to office premises. To further minimize the risk of person-to-person transmission, the Group has limited the assembly of people by conducting meetings via video- and/or tele-conferencing. The Group also implemented a combination of Four-day Work Week and Work-from-Home arrangements while ensuring that service interruptions to its clients are minimized.

2. Disrupted business operations. The Group is compliant with national and local ordinances. To ensure minimal service interruptions and that its operations are not hampered, its various businesses have identified and designated essential and non-essential employees and wherever appropriate, have setup skeletal workforce.

   Despite the suspension of classes, disruptions on the academic outcomes of students were minimized as the Group's schools utilized alternative means to continue course work, e.g. on-line classes, coursework online, and independent projectized learning, among others. All these blended learning initiatives using multiple e-learning and course monitoring platforms allowed the students to fulfill their course requirements to comply with CHED or DepEd academic requirements amid the prolonged suspension of classes.

   The Group's Property Management team enhanced their services being at the forefront of the crisis management operations. The team is working hand-in-hand with the YGC BCM-BRM Council on the Group's group-wide risk mitigation initiatives.

3. Disrupted supply chain management. The Group, its construction business in particular, is conducting assessments on all resources expected to come in and those expected to be ordered, particularly on the supply of resources coming from infected areas while taking into consideration the community quarantine declared in Metro Manila. In coordination with their respective planning groups, each business unit is working on making adjustments to minimize the impact of such disruption. This includes focusing on activities that have no issues with the supply of resources and looking for alternative suppliers from "virus-free" areas.

42. Approval of Consolidated Financial Statements

The accompanying consolidated financial statements were approved and authorized for issue by the Board of Directors (BOD) on May 22, 2020.

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BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES

The Board of Directors and the Stockholders
House of Investments, Inc.
3rd Floor, Grepalife Building
219 Sen. Gil J. Puyat Avenue
Makati City, Metro Manila

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of House of Investments, Inc. and its Subsidiaries (the Group) as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019, included in this Form 17-A, and have issued our report thereon dated May 22, 2020. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Wenda Lynn M. Loyola
Wenda Lynn M. Loyola
Partner
CPA Certificate No. 109952
SEC Accreditation No. 1540-AR-1 (Group A),
January 10, 2019, valid until January 9, 2022
Tax Identification No. 242-019-387
BIR Accreditation No. 08-001998-117-2019,
January 28, 2019, valid until January 27, 2022
PTR No. 8125250, January 7, 2020, Makati City

May 22, 2020

SGV
Building a better working world

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October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Board of Directors and the Stockholders
House of Investments, Inc.
3rd Floor, Grepalife Building
219 Sen. Gil J. Puyat Avenue
Makati City, Metro Manila

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of House of Investments, Inc. and its Subsidiaries (the Group) as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019, and have issued our report thereon dated May 22, 2020. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Wenda Lynn M. Loyola

Wenda Lynn M. Loyola
Partner
CPA Certificate No. 109952
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January 28, 2019, valid until January 27, 2022
PTR No. 8125250, January 7, 2020, Makati City

May 22, 2020

HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES

SUPPLEMENTARY INFORMATION AND DISCLOSURES REQUIRED ON REVISED SRC RULE 68

DECEMBER 31, 2019

Philippine Securities and Exchange Commission (SEC) issued the Revised Securities Regulation Code (SRC) Rule 68 which consolidates the two separate rules and labeled in the amendment as “Part I” and “Part II”, respectively. It also prescribed the additional information and schedule requirements for issuers of securities to the public.

Below are the additional information and schedules required by Revised SRC Rule 68 that are relevant to the Group. This information is presented for the purpose of filing with the SEC and is not required part of the basic financial statements.

Schedule A. Financial Assets in Equity Securities
The following is the detailed schedule of equity in investments at FVOCI as at December 31, 2019.

Name of Issuing Entities	Number of shares	Amount Shown in the Statement of Financial Position
Quoted:		
Sta Elena Golf Club Inc	3	₱18,500,000
Seafront Resources Corp - A	4,697,614	10,381,727
Philippine Long Distance Telephone Co.	38,867	4,937,405
Benguet Corporation - A	2,848,637	3,218,960
Manila Southwood Golf & Country Club	2	2,600,000
The Orchard Golf and Country Club	3	1,700,000
Rizal Commercial Banking Corp	64,986	1,494,678
Valle Verde Country Club	2	700,000
Solid Group, Inc.	340,000	414,800
Holcim Phils., Inc.	30,000	408,000
BDO Unibank, Inc.	2,550	402,900
Sherwoods Hills Golf Club	1	250,000
Fairways & Blue Water Resort Golf	1	250,000
Roxas Holdings Inc.	129,792	233,626
Club Filipino	1	180,000
Forest Hill golf share	1	180,000
Royale North Woods	1	121,856
Cebu Holdings, Inc.	15,625	106,250
Canyon Woods	1	70,000
Royale Tagaytay Country Club	1	60,000
Eagle Ridge Golf & Country Club	1	60,000
Lorenzo Shipping Corp	62,500	53,125
Filinvest Land, Inc.	24,687	37,031
BDO Leasing and Finance, Inc.	15,000	28,050
Roxas and Company Inc.	11,476	24,903
Empire East Land Holdings Inc.	32,430	13,945
Vitarich Corp	10,000	12,000
Lopez Holdings Corp.	154	571
Lepanto Consolidated Mining Co	28,982	2,968

(Forward)

Name of Issuing Entities	Number of shares	Amount Shown in the Statement of Financial Position
Unquoted:		
Hermosa Ecozone Development Corporation	1,000,000	₱552,641,702
Petrogreen Energy Corporation	258,144,888	464,163,306
Brightnote Assets Corporation	11,000,000	11,620,769
Sta. Elena Properties	1	7,680,033
YGC Corporate Services Inc	14,026	3,479,870
Tower Club (Philam Properties Corp)	1	500,000
Phil. Long Distance Tel-Pref. (Series V)	527	77,000
Integrated Properties	700	68,137
Menzi Industries	1,066	45,478
Architectural Center Club, Inc (ACCI)	1	32,000
Alsons Cement Corp.	37	18,750
Phillipne Contractors Association	10,000	10,000
RCBC Realty Corporation	169,999	8,232
Philippine Exporters Traiding Corp.	5,000	5,000
Menzi & Co., Inc.	106	4,522
Zamboanga Industrial Group		3,800
Pilipino Telephone Company	150	675
Others (LFPSI)		
Government Securities		7,515,069
Other Securities and Debt Instruments		44,654,444
Equity Securities	98,671	8,802,225
TOTAL	**278,798,491**	**₱1,147,773,806**

Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (other than related parties)

As at December 31, 2019, the Group has no receivable above P1 million or 1% of the total assets, whichever is lower from directors, officers, employees, and principal stockholders (other than related parties).

Schedule C. Amounts Receivable from Related Parties which are eliminated during the Consolidation of Financial Statements

Below is the schedule of receivables with subsidiaries, which are eliminated in the consolidated financial statements as at December 31, 2019:

Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Balance at end of period
Landev Corporation					
Due from affiliates	₱217,396	₱3,462,693	(₱2,960,024)	₱–	₱720,065
Dividends receivable	23,000,097	65,000,000	(52,999,952)	–	35,000,145
	23,217,493	68,462,693	(55,959,976)	–	35,720,210
Greyhounds Security and Investigation Agency Corporation					
Due from affiliates	48,459	4,649,022	(4,151,997)	–	545,484
Investment Managers, Inc.					
Due from affiliates	831,974	7,601,647	(7,991,647)	–	441,974
Dividends receivable	–	–	–	–	–
	831,974	7,601,647	(7,991,647)	–	441,974
iPeople, inc. and subsidiaries					
Due from affiliates	9,072,771	82,124,585	(83,855,539)	–	7,341,817
Dividends receivable	30,116,071	37,163,366	(67,279,437)	–	–
	39,188,842	119,287,951	(151,134,976)	–	7,341,817

(Forward)

Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Balance at end of period
EEI Corporation and subsidiaries					
Due from affiliates	2,561,012	2,904,652	(5,065,623)	–	400,041
Dividends receivable	–	112,688,669	(112,688,669)	–	–
	2,561,012	115,593,321	(117,754,292)	–	400,041
La Funeraria Paz Sucat, Inc					
Due from affiliates	₱612,893	₱7,364,268	(₱5,593,497)	₱–	₱2,383,664
Dividends receivable	–	5,000,000	(5,000,000)	–	–
	612,893	12,364,268	(10,593,497)	–	2,383,664
Zambowood Realty and Development Corp					
Due from affiliates	532	1,210	–	–	1,742
Zamboanga Carrier Inc					
Due from affiliates	1,803	740	–	–	2,543
Xamdu Motors, Inc.					
Due from affiliates	100	290	–	–	390
	₱66,463,108	₱327,961,142	(₱347,586,385)	–	₱46,837,865

These receivables are non-interest bearing and are expected to be settled within the next twelve months.

Schedule D. Intangible Asset - Other Noncurrent Assets

As at December 31, 2019, the Group's intangible assets consist of goodwill and computer software. Goodwill in the Group's consolidated statements of financial position arose from the acquisition of EEI, iPeople, and MESI. Details of the Group's intangible assets are as follows:

Description	Beginning balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)	Ending balance
Goodwill	₱471,357,459	₱13,472,260	₱–	₱–	₱–	₱484,829,719
Computer Software	14,298,226	8,195,665	(6,621,573)	–	–	15,872,318
	₱485,655,685	₱21,667,925	(₱6,621,573)	₱–	₱–	₱500,702,037

Schedule E. Long-term Debt

Below is the schedule of long-term debt of the Group:

Type of Obligation	Amount	Current	Noncurrent
Parent Company			
Peso-denominated five (5) year term loan, payable quarterly starting March 2016 with interest of 5.11% per annum	₱100,000,000	₱100,000,000	₱–
EEI			
Fixed-rate corporate promissory notes with effective interest of 4.8% per annum for seven (7) years	2,446,428,571	1,214,285,714	1,232,142,857
EEI Power			
Peso-denominated seven (7) year term loan, with interest of 5.0526% per annum inclusive of two-year grace period on principal amortization	196,428,571	71,428,571	125,000,000
Biotech JP			
Yen-denominated five (5) year, four and half (4.5) year term and six (6) month term loan, with interest rate of 0.05% p.a., 0.30% p.a. and 2.45% p.a., respectively	78,928,577	–	78,928,577

(Forward)

Type of Obligation	**Amount**	**Current**	**Noncurrent**
MCM			
Peso-denominated ten (10) year term loan, payable in 20 equal quarterly payments which will to start at the end of 21st quarter from the initial drawdown date. Interest is subject to quarterly repricing	1,489,903,407	–	1,489,903,407
NTC			
Peso-denominated ten (10) year term loan, payable in 28 quarterly payments starting May 2022 with interest subject to annual repricing based on higher of 5.5% or prevailing 1-year rate plus interest spread	₱380,000000	₱–	₱380,000,000
	₱4,691,689,126	₱1,385,714,285	₱3,305,974,841

Schedule F. Indebtedness to Related Parties (Long-term Loans from Related Companies)
As at December 31, 2019, the Group has no long-term loans from its related parties.

Schedule G. Guarantees of Securities of Other Issuers
There are no guarantees of securities of other issuing entities by the Group as at December 31, 2019.

Schedule H. Capital Stock

Title of issue	**Number of shares authorized**	**Number of shares issued and outstanding as shown under related statement of financial position caption**	**Number of shares held by related parties**	**Directors, Officers and Employees**	**Others**
Common shares	1,250,000,000	776,465,281	393,166,274	2,695,400	380,603,607
Preferred shares	2,500,000,000	16,776,001	–	–	16,776,001

HOUSE OF INVESTMENTS, INC.

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

Unappropriated retained earnings, January 1, 2019	₱828,084,713
Less: Deferred tax asset	13,452,845
Less: Treasury stock	2,607,600
Unappropriated retained earnings, January 1, 2019, as adjusted	**812,024,268**
Add: Net income during the period closed to Retained Earnings	965,044,196
Movement in deferred tax asset	(8,346,558)
Net income actually earned during the period	**956,697,638**
Less: Dividend declarations during the period	(63,342,105)
Appropriations of retained earnings during the year	(400,000,000)
	(463,342,105)
Unappropriated retained earnings available for dividend distribution, December 31, 2019	**₱1,305,379,801**

HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS AS OF DECEMBER 31, 2019 AND 2018

Financial Soundness Indicator

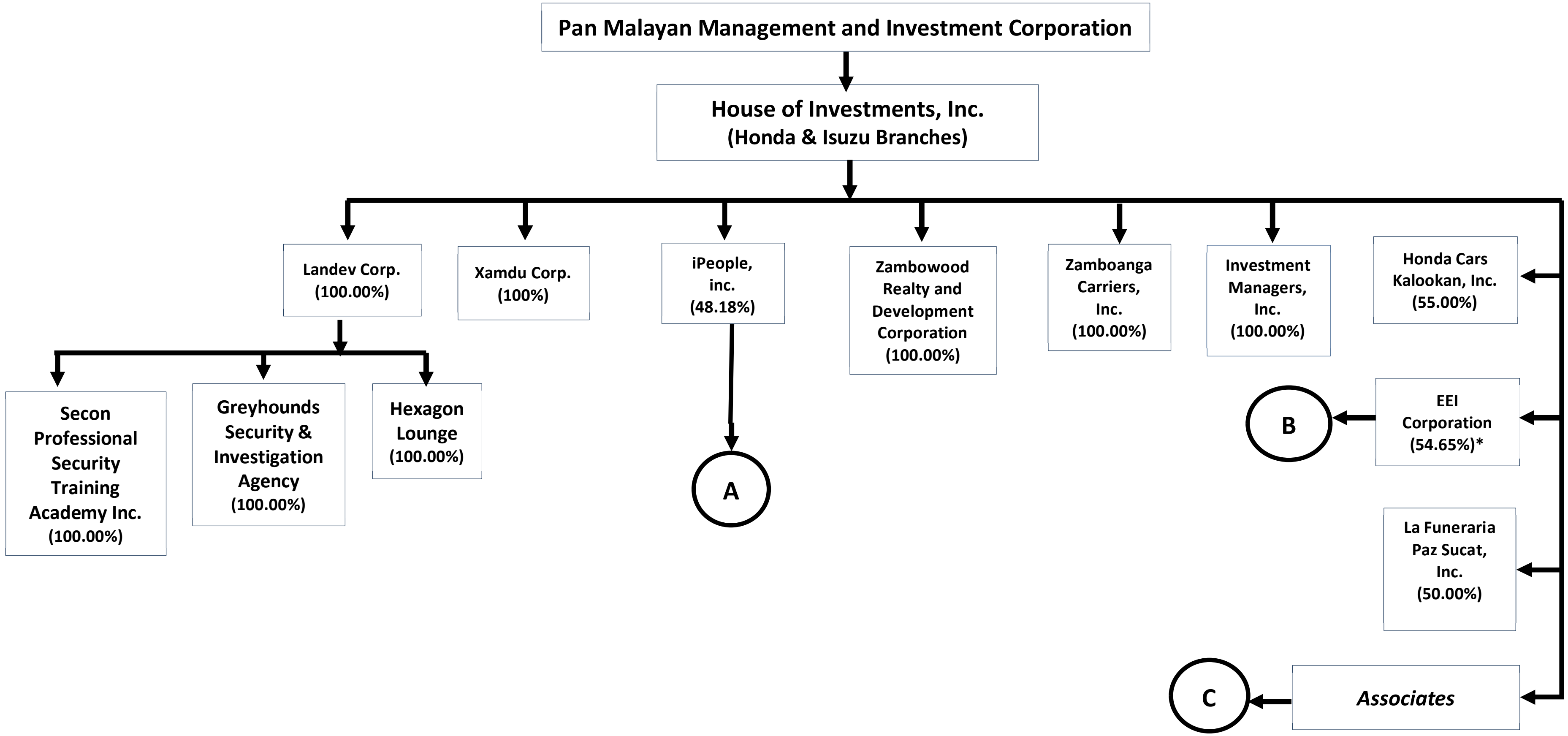
Below are the financial ratios that are relevant to the Group for the years ended December 31, 2019 and 2018:

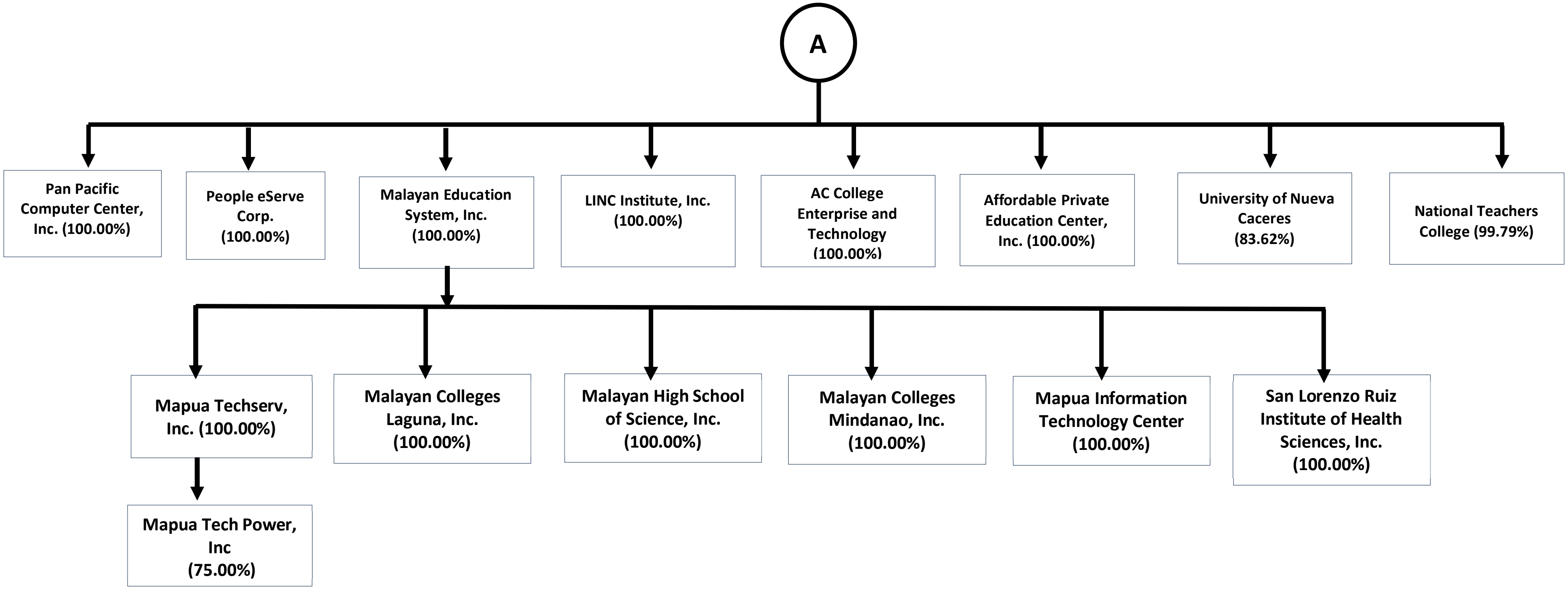
Financial ratios		**2019**	2018
Current ratio	Current assets / Current liabilities	**1.12:1**	0.87:1
Solvency ratio	Net income plus depreciation / Total liabilities	**0.11:1**	0.10:1
Debt to equity ratio	Total liabilities / Total equity	**1.21:1**	1.18:1
Asset-to-equity ratio	Total assets / Total equity	**2.21:1**	2.18:1
Interest rate coverage	EBIT* / Interest expense	**3.70:1**	4.65:1
Return on assets	Net income / Average total assets	**3.60%**	3.03%
Return on equity	Net income / Average total equity	**7.92%**	6.74%

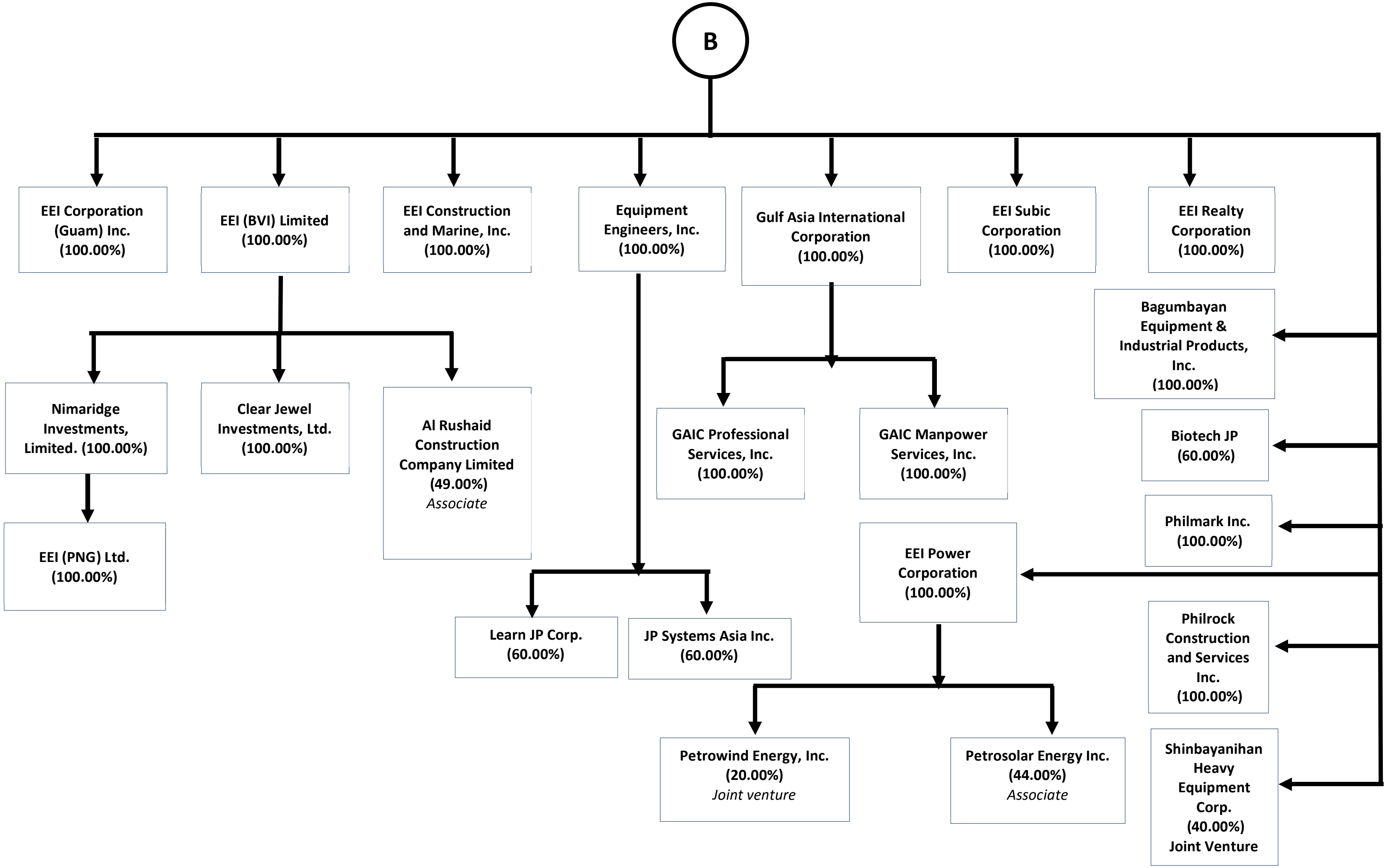
**Earnings before interest and taxes (EBIT)*

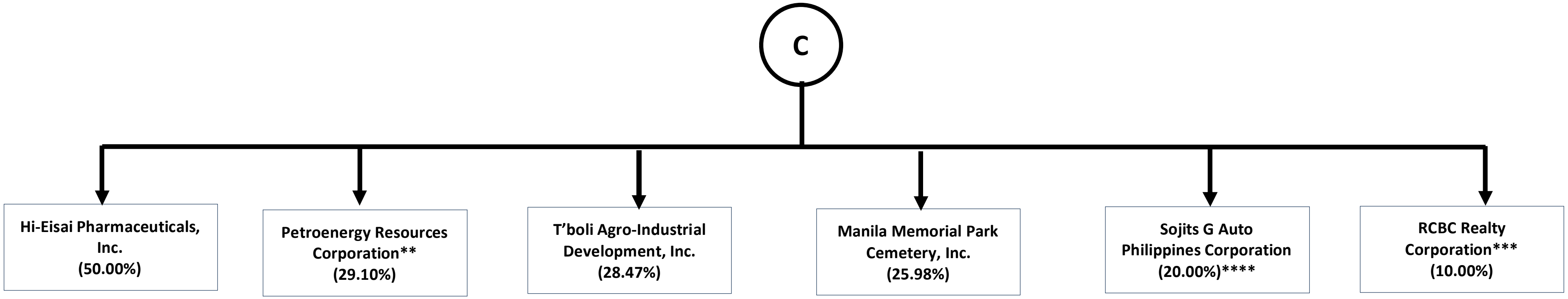
HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES
MAP OF RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP

Group Structure
Below is a map showing the relationship between and among the Group and its ultimate parent company, subsidiaries, and associates as of December 31, 2019:




A
Pan Pacific Computer Center, Inc. (100.00%)
People eServe Corp. (100.00%)
Malayan Education System, Inc. (100.00%)
LINC Institute, Inc. (100.00%)
AC College Enterprise and Technology (100.00%)
Affordable Private Education Center, Inc. (100.00%)
University of Nueva Caceres (83.62%)
National Teachers College (99.79%)
Mapua Techserv, Inc. (100.00%)
Malayan Colleges Laguna, Inc. (100.00%)
Malayan High School of Science, Inc. (100.00%)
Malayan Colleges Mindanao, Inc. (100.00%)
Mapua Information Technology Center (100.00%)
San Lorenzo Ruiz Institute of Health Sciences, Inc. (100.00%)
Mapua Tech Power, Inc (75.00%)


B
EEI Corporation (Guam) Inc. (100.00%)
EEI (BVI) Limited (100.00%)
EEI Construction and Marine, Inc. (100.00%)
Equipment Engineers, Inc. (100.00%)
Gulf Asia International Corporation (100.00%)
EEI Subic Corporation (100.00%)
EEI Realty Corporation (100.00%)
Bagumbayan Equipment & Industrial Products, Inc. (100.00%)
Nimaridge Investments, Limited. (100.00%)
Clear Jewel Investments, Ltd. (100.00%)
Al Rushaid Construction Company Limited (49.00%) Associate
GAIC Professional Services, Inc. (100.00%)
GAIC Manpower Services, Inc. (100.00%)
Biotech JP (60.00%)
Philmark Inc. (100.00%)
EEI (PNG) Ltd. (100.00%)
EEI Power Corporation (100.00%)
Learn JP Corp. (60.00%)
JP Systems Asia Inc. (60.00%)
Philrock Construction and Services Inc. (100.00%)
Petrowind Energy, Inc. (20.00%) Joint venture
Petrosolar Energy Inc. (44.00%) Associate
Shinbayanihan Heavy Equipment Corp. (40.00%) Joint Venture



** In November 2019, Parent purchased additional 3 million shares resulting to an increased ownership interest from 54.36 to 54.65%.*

*** On February 21, 2013, significant influence was obtained through piecemeal acquisition. In 2014, the Group purchased additional 6.6 million shares of PERC increased ownership interest from 20.00% to 22.41%. In 2018, the Parent purchased additional 69,285,418 shares amounting to P332.6M from stock rights offering, which increased ownership to 28.36%. In 2019, Parent purchased additional 4.2 million shares resulting to an increased ownership to 29.10%*

**** On September 17, 2013, the Group acquired 10.00% ownership in RRC. The Group was able to exercise significant influence since it has the capacity to participate in the financial and operating decisions of RRC through common key management and representation to the Board of Directors*

*****On November 8, 2019, the Parent purchased 2,500,000 shares of Sojitz G Auto Philippines Corporation from Sojitz Corporation amounting to P50,000,000 equivalent to 20% ownership equity.*

HOUSE OF INVESTMENTS

ANNEX "E"

HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS OF MARCH 31, 2020 AND DECEMBER 31, 2019 AND THREE MONTHS ENDED MARCH 31, 2020, 2019, AND 2018

HI

HOUSE OF INVESTMENTS, INC.
A YGC Member

DECLARATION OF AUTHENTICITY

Securities and Exchange Commission
Secretariat Building, PICC Complex
Roxas Blvd., Pasay City 1307

I, **Maria Teresa T. Bautista**, designated as **Vice President, Controller** of House of Investments, Inc., with contact number (632) 8815-9636 and office address at 9F Grepalife Building, 221 Sen. Gil Puyat Avenue, Makati City, 1200 Philippines do hereby certify the authenticity of the attached SEC 17-Q Quarterly Reports including attached consolidated financial statements for the periods ended March 31, 2020 and 2019 (unaudited) and December 31, 2019 (audited). We declare our commitment to submit physical versions of the exact same submitted documents to Securities and Exchange Commission once the state of public health emergency is lifted.

Thank you.

Respectfully yours,

MARIA TERESA T. BAUTISTA
VP - Controller / Corporate Information Officer

C O V E R   S H E E T

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

1	5	3	9	3							

C O M P A N Y   N A M E

HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES

PRINCIPAL OFFICE *(No. / Street / Barangay / City / Town / Province)*

9th Floor, Grepalife Building, 221 Sen. Gil J. Puyat Avenue, MaKati CITy, Metro Manila

Form Type	Department requiring the report	Secondary License Type, If Applicable
17-Q	SEC	N/A

C O M P A N Y   I N F O R M A T I O N

Company's Email Address	Company's Telephone Number	Mobile Number
N/A	815-9636 to 38	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
384	Aug 17	March 31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Maria Teresa T. Bautista	mtbautista@hoi.com.ph	815-9636	N/A

CONTACT PERSON's ADDRESS

9th Floor, Grepalife Building, 221 Sen. Gil J. Puyat Avenue, Makati City, Metro Manila

NOTE 1 : In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2 : All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17 – Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE
AND SRC RULE 17(2)-(B) THEREUNDER

1. For the quarterly period ended March 31, 2020

2. SEC Identification Number 15393

3. BIR Tax Identification No. 000-463-069

4. Exact name of registrant as specified in its charter: HOUSE OF INVESTMENTS, INC.

5. Makati City, Philippines
   Province, Country or other jurisdiction of incorporation or organization

6. /____/ (SEC Use Only)
   Industry Classification Code:

7. 9th Floor, Grepalife Building, 221 Sen. Gil J. Puyat Avenue, Makati City — 1200
   Address of principal office — Postal Code

   +63 (2) 8940320; +63 (2) 8134537
   Issuer's telephone number, including area code

9. Not Applicable
   Former name, or former address, if changed.

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Section 4 and 8

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Stock, P1.50 par value	776,465,281 shares of common stock
Preferred Stock, P0.40 par value	0 shares of preferred stock

Amount of debt as of March 31, 2020 P29.13 Billion

11. Are any or all of these securities listed on the Stock Exchange.

    Yes (X) No ( )
    Only the common stock is listed in the Philippine Stock Exchange

12. Check whether the registrant:

    (a) has filled all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding 12 months (or for such shorter period that the registrant was required to file such reports):

    Yes (X) No ( )

    (b) has been subject to such filing requirements for the past 90 days.
    Yes (X) No ( )

TABLE OF CONTENTS

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

The interim consolidated financial statements of House of Investments, Inc. and Subsidiaries as of March 31, 2020 with comparative figures for the periods ended December 31, 2019 and March 31, 2019 and Schedule of Aging of Accounts Receivable are incorporated by reference as **Exhibit 1**.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

(i) Any known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the registrant's liquidity increasing or decreasing in any material way.

Are there any known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the registrant's liquidity increasing or decreasing in any material way.	None
Does the registrant currently has, or anticipates having within the next twelve (12) months, any cash flow or liquidity problems?	No
Is the registrant in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments?	No
Has there been a significant amount of the registrant's trade payables have not been paid within the stated trade terms?	None
Describe internal and external sources of liquidity, and briefly discuss any sources of liquid assets used.	The Group depends on both internal and external sources of funds.

(ii) Any events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation;

None.

(iii) All material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

None.

(iv) Any material commitments for capital expenditures, the general purpose of such commitments, and the expected sources of funds for such expenditures should be described;

EEI Corp.'s construction current project pipeline requires additional investments in new capital equipment in order for EEI to deliver its projects to its customers. This will be financed through a combination of internally generated funds and new borrowings.

iPeople, inc.'s subsidiary Malayan Education System, Inc. (MESI) (Operating under the name of Mapua University) is constructing a new campus on a 0.5-hectare property in Makati. Completion of the construction is expected in time for the Academic Year 2020-2021. The total project is estimated at around P2.5 billion and will be funded partially by debt.

Except for the construction of new campus of MESI and the EEI's construction activities, there is no other material commitment on capital expenditures other than those performed in ordinary course of business.

(v) Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations should be described. If the registrant knows of events that will cause material change in the relationship between costs and revenues (such as known future increases in cost of labor or materials or price increases or inventory adjustments), the change in the relationship shall be disclosed.

The Philippines' economy contracted by 0.2% in the first quarter of 2020 on account of the Enhanced Community Quarantine (ECQ) which started on March 15, 2020 in an effort to quell the contagion of the COVID-19 pandemic. All non-essential business activities in the Philippines, most especially in the National Capital Region (NCR), came to a halt during the ECQ. The health, social and economic effects COVID-19 have material impacts in the first quarter 2020 consolidated financial results and its effects will continue to be felt throughout the rest of the year. Considering the evolving nature of this pandemic, the Group is evaluating in a continuing process the impact to its financial position, performance and cash flows. However, the Group at this time cannot yet determine with certainty the impact to its financial position. The Group will continue to monitor the situation.

- Construction and Engineering (EEI Corporation and subsidiaries)

  Construction activities stopped in our projects situated in the ECQ regions. The ECQ was only implemented in the latter half of March 2020, yet we expect the effects of the pandemic to business operations and the economy in general will continue to impact the industry for the rest of the year. Amidst all these, EEI's unworked portion of ongoing project contracts is level sufficient for the continuity of its operations in the next 2-3 years, if all projects will push through as planned. This gives EEI ample protection to sustain its business operations.

  Moreover, the government's build-build-build program is a material favorable opportunity. It has been given priority by the government as part of the country's plan for economic recovery.

  The construction activities of Al Rushaid Construction Company (ARCC) in the Kingdom of Saudi Arabia (KSA) had picked up during the first quarter of 2020 as a result of the contracts obtained in the past year. Despite this, the Company remains vigilant especially given the recent drop in oil prices and the continued effects of the pandemic.

- Education (iPeople, inc. and subsidiaries)

  Classes in all levels were suspended by the national government which started on March 09, 2020 and the declaration of the community quarantine in various municipalities and regions in the Philippines. This covered the Mapúa Schools (Mapúa University in Intramuros, Mapúa Extension Campus in Makati, Malayan High School Science in Paco, Malayan Colleges Laguna in Cabuyao, and Malayan Colleges Mindanao in Davao), National Teachers' College in Quiapo, University of Nueva Caceres in Naga, and all branches of APEC Schools in Metro Manila.

  Disruptions to the operations of iPeople and its schools during and beyond the quarantine period are mitigated through alternative means to continue the students' academic requirements, including adoption of on-line classes, coursework online, and independent projectized learning. Measures are also in place to address the risk to the health and safety of our employees, teachers, and communities.

- Car dealerships

  The closures of non-essential business activities will negatively impact vehicle sales in 2020. Dealerships covered under ECQ, including our own, closed shop during the ECQ preventing consumers from making purchasing new vehicles or even having their cars services for maintenance and repairs. Even though cars are classified as non-essential and consumers are expected to hold off spending on new vehicles, we continue to receive inquiries and generate interest through digital marketing and sales.

  Moreover, the Group also conducted a careful and thorough assessment of the cars business operations, dealerships, and the needed manpower, machines, and process in an effort to streamline our operations. Pursuant to such assessment, the Group implemented business measures that will ensure over-all greater efficiency, particularly, the closure of the following car dealerships and implemented a redundancy program:

  1. Honda Fairview
  2. Honda Marikina
  3. Honda Marcos Highway
  4. Isuzu Greenhills
  5. Honda Kalookan

- Property Management Services (Landev Corporation and subsidiaries)

  The closure and reduced operations of our clients also limited the rendering of some of the Group's services. Project management services stopped together with the work stoppage in construction. Nevertheless, facilities and property management and security services were continuously provided to our clients.

- Portfolio Investments

  The businesses of our portfolio investments were also impacted by the ECQ as their respective businesses slowed down because of the strict protocols instituted by the Inter-Agency Task Force (IATF).

Other than the aforementioned, there is no known trend, event or uncertainty that have had or that are reasonably expected to have a material impact on the net sales or revenues or income of the Group from continuing operations.

(vi) Any significant elements of income or loss that did not arise from the registrant's continuing operations;

None.

(vii) The causes for any material change from period to period which shall include vertical and horizontal analyses of any material item; The term "material" in this section shall refer to changes or items amounting to five percent (5%) of the relevant accounts or such lower amount, which the registrant deems material on the basis of other factors.

Income Statement Variances

For the period ended 31 March 2020, the Group posted a consolidated net income of P379.79 million compared to P570.43 million against last year. Net income attributable to Parent company is P232.24 million.

Total consolidated revenues are at P7.84 billion, lower compared to P8.01 billion last year, primarily due to lower revenues generated both by the construction and automotive segments. Revenues from services, which are mainly from the construction segment, dropped by 4% compared to last year. Construction activities slowed down during the first quarter of the year because of the effects of eruption of Taal volcano and implementation of Enhanced Community Quarantine (ECQ) in the major cities of the country. Sales of goods pertain primarily to the automotive segment, which showed a drop from P1.71 billion last year to P1.38 billion. The reduction was also brought about the impact of the Taal volcano eruption and ECQ during the quarter, which forced the dealerships to temporarily suspend operations. On the other hand, revenues from school operations showed a significant growth from last year as the freshmen enrolment picked up after the K-12 program transition period, coupled with the revenues from the new entities acquired by iPeople in May 2019 from the merger with AC Education Inc. This was softened, however, by the financial effects of the suspension of classes in the last month of the quarter due to ECQ.

Cost of sales and services are slightly up due to higher cost of tuition and other fees, tempered by lower cost of goods sold of the car dealerships. The cost of tuition and other fees are significantly higher primarily from the new schools acquired by iPeople from the merger.

Consolidated general and administrative expenses increased by 34%, from P570.50 million to P764.10 million this quarter. Increase is primarily attributable to the following: (a) personnel related cost, due to increase in headcount coupled with the effect of the annual salary increase; (b) depreciation, relative to the newly constructed school building in Mindanao and acquired subsidiaries of iPeople; and (c) advertising and promotions, as the Group, particularly the car dealerships and schools, intensify its advertising campaign.

Other income is lower because last year includes dividends received from one of the investments of the Group.

Equity in net earnings of associates is at P274.21 million compared to P187.87 million of same period last year, which was primarily due to higher intake from ARCC, a foreign affiliate of EEI.

Interest and finance charges are lower as of the period, from P188.79 million to P155.01 million, due to lower average borrowing rates.

Balance Sheet Variances

Total consolidated assets of the Group stood at P52.84 billion as of the period from P52.0 billion as of December 2019.

Total current assets increased from P22.83 billion to P24.49 billion, primarily attributable to the following accounts: (a) cash and cash equivalents, due to collection of EEI; (b) receivables, due to timing of collections; (c) inventories, pertaining to additional construction materials; and (d) prepaid expenses and other current asset, due to additional unutilized creditable withholding taxes and advances of EEI to its suppliers and sub-contractors.

Total noncurrent assets are lower by P820.83 million, from P29.16 billion in December 2019 to P28.34 billion as of the quarter ending March 2020.

Property and equipment at cost decreased from P8.81 billion to P8.11 billion due to disposal of asset of EEI and effect of depreciation as of the period.

Reduction in deferred tax assets pertains to the tax effect on unrealized foreign exchange gain last year which was realized this year.

Reduction in other noncurrent assets pertains to collection of EEI from a project owner and movement of the deferred input tax.

Total consolidated liabilities increased to P29.13 billion from P28.50 billion as of December 2019.

Total current liabilities increased from P20.30 billion to P21.49 billion primarily because of additional borrowings of the Group to finance EEI's new major domestic projects and on-going construction activities, and to settle the outstanding development costs of the new campus in Mindanao.

Accounts payable and accrued expenses increased due to timing of payment to suppliers and subcontractors, and output tax.

Income tax payable includes the balance in December 2019, which was settled in April 2020. Whereas, the income tax for the quarter was due in June 2020.

Reduction in due to related parties pertains to payment of EEI Limited to ARCC relative to its share in the income tax.

Contract liabilities pertain to unearned tuition fees and current construction contract obligations, which are reduced as the corresponding revenue is recognized during the quarter.

Total noncurrent liabilities decreased from P8.20 billion to P7.64 billion as of March 2020.

Long-term debt is reduced to P3.05 billion, as the Group regularly pays its maturing obligations.

Total consolidated equity rose from P23.49 billion to P23.71 billion while total consolidated retained earnings increased from P10.11 billion to P10.30 billion

(viii) Any seasonal aspects that had a material effect on the financial condition or results of operations.

During summer period, the school operations undergo a material change. For the purposes of this discussion, the summer period occurs two months from May to June or June to July of every year depending on each school's academic year. For this year, some schools had 3 months summer vacation because of the change in school calendar.

During the summer term, student enrollment drops significantly because majority of matriculating students go on break. Therefore, there is a seasonal shift in revenues as enrolment drops in the summer term. Despite the lower revenue during the summer term, the schools continue to carry the same periodic fixed costs resulting to lower net profits during the school summer period.

Financial Soundness Indicators

The company's top 11 key performance indicators as of the end of March 31, 2020 compared to March 31, 2019 and to December 31, 2019 are as follows:

Financial ratios		**Unaudited 31-Mar-20**	Unaudited 31-Mar-19	Audited 31-Dec-19
Current ratio Indicates the Group's ability to pay short-term obligations	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	**1.14:1**	0.88:1	1.12:1

Solvency Ratio Shows how likely a company will be to continue meeting its debt obligations	Net Income + Depreciation / Total Liabilities	**0.02:1**	0.03:1	0.11:1
Debt-to-equity ratio Measures the Group's leverage	Total Debt / Equity	**1.23:1**	1.20:1	1.21:1
Asset to Equity Ratio Shows how the company's leverage (debt) was used to finance the firm	Total Assets / Equity	**2.23:1**	2.20:1	2.21:1
Interest Rate Coverage Shows how easily a company can pay interest on outstanding debt	EBIT / Interest Expense	**3.72:1**	4.72:1	3.70:1
Return on Average Stockholders' Equity Reflects how much the Group's has earned on the funds invested by the stockholders	Net Income / Average Equity	**1.61%**	3.09%	7.92%
Return on Assets Measure the ability to utilize the Group's assets to create profits	Net Income / Total Assets	**0.72%**	1.41%	3.60%
Net Profit Margin Shows how much profit is made for every peso of revenue	Net Income / Total Revenues	**5%**	7%	5%
Asset Turnover Shows efficiency of asset used in operations	Total Revenues / Total Assets	**0.15**	0.19	0.66
Return on Equity Shows how much the business returns to the stockholders for every peso of equity capital invested	Net Income/Total Revenues xTotal Revenues / Total Assets x Total Assets /Total Equity	**1.60%**	3.0%	7.02%

- Current ratio is at 1.14 as of the period ended March 2020 compared with 0.88 as of March 2019. This is attributable to increase in cash and receivables of the Group as of the quarter.
- Solvency ratio at 0.02 lower compared to 0.03 as of March 2019 due to lower earnings posted by the Group compared to last year.
- Debt-to-equity ratio increased from 1.20 in March 2019 to 1.23 as of March 2020 because of increase in loans and obligations to suppliers and subcontractors as of this quarter.
- Asset to equity ratio went up from 2.20 in March 2019 to 2.23 this quarter due to high level of loans of the Group against same period of last year.
- Interest rate coverage ratio is lower at 3.72 times compared to 4.72 as of March 2019 due to lower loan level and average interest rates.

- Return on equity is at 1.61% against 3.09% as of March 2019. This is due to lower earnings posted by the Group compared to previous year.
- Return on assets (ROA) decreased from 1.41% last March 2019 to 0.72% this quarter. This is attributable to lower net income registered by the Group.
- Net profit margin is lower at 5% against last year at 7% due to additional costs incurred particularly by the construction segment.
- Asset turnover is 0.15 times compared to 0.19 times as of March 2019 because of lower revenues posted by the construction and car dealership segments as of the quarter.
- Return on average stockholders' equity is at 1.6%, lower compared to 3% last March 2019 due to lower earnings of the Group as of the quarter.

The above-mentioned ratios are applicable to the Group (Parent Company and its majority owned subsidiaries) as a whole.

PART II – OTHER INFORMATION

There is no significant information on the company which requires disclosure herein and/or were not included in SEC Form 17-C.

EXHIBIT 1

HOUSE OF INVESTMENTS, INC. and SUBSIDIARIES

Interim Condensed
Unaudited Consolidated Financial Statements

March 31, 2020 and 2019 (Unaudited)
and
December 31, 2019 (Audited)

HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Unaudited March 31, 2020	Audited December 31, 2019
ASSETS		
Current Assets		
Cash and cash equivalents (Note 6)	**₱3,052,515,127**	₱2,686,669,074
Receivables (Note 7)	**6,665,877,148**	6,246,486,725
Contract assets (Note 8)	**9,696,075,154**	9,483,493,604
Inventories (Note 9)	**2,648,738,679**	2,362,277,465
Receivables from related parties	**93,464,783**	71,235,301
Prepaid expenses and other current assets (Note 10)	**2,337,519,067**	1,982,854,200
Total Current Assets	**24,494,189,958**	22,833,016,369
Noncurrent Assets		
Equity investments at fair value through other comprehensive income (FVOCI) (Note 11)	**1,127,692,162**	1,147,773,806
Investments in associates and joint ventures (Note 12)	**6,208,736,240**	6,193,051,356
Property and equipment (Note 13)		
At revalued amount	**9,190,925,482**	9,185,924,384
At cost	**8,107,551,008**	8,808,917,553
Right-of-use assets	**1,579,287,930**	1,605,726,653
Investment properties (Note 15)	**17,152,018**	17,689,018
Goodwill (Note 14)	**484,829,719**	484,829,719
Retirement assets	**17,950,310**	18,289,597
Deferred tax assets - net	**181,283,841**	195,020,389
Other noncurrent assets - net (Note 16)	**1,426,509,594**	1,505,524,395
Total Noncurrent Assets	**28,341,918,304**	29,162,746,870
Total Assets	**₱52,836,108,262**	₱51,995,763,239

LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Note 17)	**₱9,023,504,598**	₱8,421,912,038
Loans payable (Note 18)	**9,517,800,000**	8,393,800,000
Current portion of long-term debt (Note 19)	**1,360,714,285**	1,385,714,285
Due to related parties	**3,593,150**	126,417,175
Current portion of contract liabilities (Note 8)	**1,233,473,274**	1,684,537,514
Current portion of lease liabilities	**208,335,333**	215,416,367
Income tax payable	**142,870,591**	74,755,176
Total Current Liabilities	**21,490,291,231**	20,302,552,555
Noncurrent Liabilities		
Long-term debt - net of current portion (Note 19)	**3,048,533,668**	3,305,974,841
Contract liabilities - net of current portion (Note 8)	**1,518,367,819**	1,820,243,384
Lease liabilities - net of current portion	**1,312,451,933**	1,323,247,962
Retirement liabilities	**468,015,214**	457,836,487
Deferred tax liabilities - net	**1,022,634,551**	1,023,530,274
Other noncurrent liabilities (Note 17)	**268,665,644**	268,665,644
Total Noncurrent Liabilities	**7,638,668,829**	8,199,498,592
Total Liabilities	**29,128,960,060**	28,502,051,147

(Forward)

	Unaudited March 31, 2020	Audited December 31, 2019
Equity		
Attributable to equity holders of the Parent Company		
Preferred stock (Note 21)	**₱–**	₱6,710,402
Common stock (Note 21)	**1,162,540,326**	1,162,540,326
Additional paid-in capital	**154,578,328**	154,578,328
Equity reserve on acquisition of non-controlling interest	**1,623,004,873**	1,641,756,492
Revaluation increment on land - net (Note 13)	**1,298,881,074**	1,298,881,074
Cumulative translation adjustments	**184,648,798**	245,958,913
Fair value reserve of equity investments at FVOCI (Note 11)	**309,519,669**	311,094,152
Remeasurement loss on defined benefit plans	**(184,443,026)**	(188,329,963)
Retained earnings (Note 20)	**10,302,224,382**	10,111,285,659
	14,850,954,424	14,744,475,383
Non-controlling interests (Note 34)	**8,856,193,778**	8,749,236,709
Total Equity	**23,707,148,202**	23,493,712,092
	₱52,836,108,262	₱51,995,763,239

See accompanying Notes to Consolidated Financial Statements.

HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME

	January to March 31		
	2020	2019	2018
REVENUE (Note 24)	**₱7,841,686,445**	₱8,008,649,177	₱6,905,029,734
COSTS OF SALES AND SERVICES (Note 26)	**6,800,517,744**	6,764,134,221	5,980,324,733
GROSS PROFIT	**1,041,168,701**	1,244,514,956	924,705,001
OTHER INCOME - Net (Note 25)	**25,429,435**	29,659,303	90,574,277
EQUITY IN NET EARNINGS (LOSSES) OF ASSOCIATES AND JOINT VENTURES (Note 12)	**274,205,770**	187,866,801	215,291,541
GENERAL AND ADMINISTRATIVE EXPENSES (Note 30)	**(764,103,600)**	(570,504,772)	(560,967,223)
INTEREST AND FINANCE CHARGES (Notes 32)	**(155,005,893)**	(188,787,596)	(82,145,007)
INCOME BEFORE INCOME TAX	**421,694,413**	702,748,692	587,458,589
PROVISION FOR INCOME TAX	**(41,905,606)**	(132,316,089)	(95,503,265)
NET INCOME	**₱379,788,807**	₱570,432,603	₱491,955,324
Net income (loss) attributable to:			
Equity holders of the Parent Company	**₱232,243,632**	₱391,123,303	₱324,474,680
Non-controlling interests	**147,545,175**	179,309,300	167,480,644
	₱379,788,807	₱570,432,603	₱491,955,324
EARNINGS PER SHARE (Note 23)			
BASIC	**₱0.2990**	₱0.6349	₱0.5267
DILUTED	**₱0.2991**	₱0.5008	₱0.4133

See accompanying Notes to Consolidated Financial Statements.

HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	January 1 to March 31		
	2020	2019	2018
NET INCOME	**₱379,788,807**	₱570,432,603	₱491,955,324
OTHER COMPREHENSIVE INCOME			
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:			
Cumulative translation adjustments	**(63,648,578)**	3,118,212	35,033,301
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods			
Changes in fair value of equity investments carried at FVOCI (Note 11)	**(1,824,775)**	2,163,115	(2,984,369)
Remeasurement gains (losses) on net retirement liability	**3,844,583**	(2,810,129)	(49,231)
Total other comprehensive income (loss)	**(61,628,770)**	2,471,198	31,999,701
TOTAL COMPREHENSIVE INCOME	**₱318,160,037**	₱572,903,801	₱523,955,025
Total comprehensive income attributable to:			
Equity holders of the Parent Company	**₱169,467,515**	₱392,524,074	₱341,283,987
Noncontrolling interest in consolidated subsidiaries	**148,692,522**	180,379,727	182,671,037
	₱318,160,037	₱572,903,801	₱523,955,024

See accompanying Notes to Consolidated Financial Statements.

HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to the Group												
	Preferred Stock (Note 20)	Common Stock (Note 20)	Additional Paid-in Capital	Premium on Acquisition of Noncontrolling Interest	Revaluation Increment on Land - Net	Cumulative Translation Adjustment	Changes in fair value of equity investments carried at FVOCI	Remeasurement losses on Net Retirement Liability	Retained Earnings	Total	Attributable to Noncontrolling Interest	Total
						For the Period Ended March 31, 2020						
Balances as at January 1, 2020	**6,710,402**	**₱1,162,540,326**	**₱154,578,328**	**₱1,641,756,492**	**₱1,298,881,074**	**₱245,958,913**	**₱311,094,152**	**(₱188,329,963)**	**₱10,111,285,659**	**₱14,744,475,383**	**₱8,749,236,709**	**₱23,493,712,092**
Redemption of preferred shares	**(6,710,402)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(6,710,402)**	**–**	**(6,710,402)**
Acquisition of noncontrolling interest	**–**	**–**	**–**	**(18,751,619)**	**–**	**2,219,250**	**3,701,886**	**(2,142,679)**	**(41,218,381)**	**(56,191,544)**	**(3,778,456)**	**(59,970,000)**
	–	**1,162,540,326**	**154,578,328**	**1,623,004,873**	**1,298,881,074**	**245,958,913**	**314,796,038**	**(190,472,642)**	**10,070,067,278**	**14,681,573,437**	**8,745,458,253**	**23,427,031,690**
Net income	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**232,243,632**	**232,243,632**	**147,545,175**	**379,788,807**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**(63,529,365)**	**(5,276,368)**	**6,029,616**	**–**	**(62,776,117)**	**1,147,347**	**(61,628,770)**
Total comprehensive income	**–**	**–**	**–**	**–**	**–**	**(63,529,365)**	**(5,276,368)**	**6,029,616**	**232,243,632**	**169,467,515**	**148,692,522**	**318,160,037**
Dividends declared by Parent Company	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(86,528)**	**(86,528)**	**–**	**(86,528)**
Dividends declared by subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(37,956,997)**	**(37,956,997)**
Total dividends declared	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(86,528)**	**(86,528)**	**(37,956,997)**	**(38,043,525)**
Balances as at March 31, 2020	**₱–**	**₱1,162,540,326**	**₱154,578,328**	**1,623,004,873**	**₱1,298,881,074**	**₱184,648,798**	**₱309,519,670**	**(₱184,443,026)**	**₱10,302,224,382**	**₱14,850,954,424**	**₱8,856,193,778**	**₱23,707,148,202**
						For the Period Ended March 31, 2019						
Balances as at January 1, 2019	₱247,414,156	₱ 921,836,572	₱154,578,328	(₱179,954,180)	₱ 1,329,730,248	₱249,703,345	₱261,089,004	(₱27,924,073))	₱9,198,512,458	₱12,426,253,040	₱5,745,536,195	₱18,171,789,235
Impact of PFRS 16 adoption	–	–	–	–	–	–	–	–	(30,079,126)	(30,079,126)	–	(30,079,126)
Acquisition of noncontrolling interest	–	–	–	–	–	–	–	–	–	–	–	–
	247,414,156	921,836,572	154,578,328	(179,954,180)	1,329,730,248	249,703,345	261,089,004	(5,100,398)	9,168,433,332	12,396,173,914	5,745,536,195	18,141,710,109
Net income	–	–	–	–	–	–	–	–	372,377,903	391,123,303	179,309,300	570,432,603
Other comprehensive income	–	–	–	–	–	1,695,060	1,233,297	(1,527,586)	–	1,400,771	1,070,427	2,471,198
Total comprehensive income	–	–	–	–	–	1,695,060	1,233,297	(1,527,586)	372,377,903	392,524,074	180,379,727	572,903,801
Dividends declared by Parent Company	–	–	–	–	–	–	–	–	–	–	–	–
Dividends declared by subsidiaries	–	–	–	–	–	–	–	–	–	–	(14,750,067)	(14,750,067)
Total dividends declared	–	–	–	–	–	–	–	–	–	–	(14,750,067)	(14,750,067)
Balances as at March 31, 2019	₱247,414,156	₱921,836,572	₱154,578,328	(179,954,180)	₱1,329,730,248	₱251,398,405	₱262,322,301	(₱29,451,659)	₱8,732,303,181	₱12,788,697,988	₱5,911,165,855	₱18,699,863,843

For the Period Ended March 31, 2018

Balances as at January 1, 2018	₱253,758,109	₱ 921,836,572	₱154,578,328	(₱179,954,180)	₱ 1,329,730,248	₱ 224,366,002	₱ 87,185,459	(₱5,100,398))	₱8,407,828,501	₱11,194,228,641	₱ 5,157,194,941	₱16,351,423,582
Redemption of preferred shares	–	–	–	–	–	–	–	–	–	–	–	–
Acquisition of noncontrolling interest	–	–	–	–	–	–	–	–	–	–	–	–
	253,758,109	921,836,572	154,578,328	(179,954,180)	1,329,730,248	224,366,002	87,185,459	(5,100,398)	8,407,828,501	11,194,228,641	5,157,194,941	16,351,423,582
Net income	–	–	–	–	–	–	–	–	324,474,680	324,474,680	167,480,643	491,955,323
Other comprehensive income	–	–	–	–	–	19,044,103	(2,202,053)	(32,743)	–	16,809,307	15,190,394	31,999,701
Total comprehensive income	–	–	–	–	–	19,044,103	(2,202,053)	(32,743	324,474,680	341,283,987	182,671,037	523,955,024
Dividends declared by Parent Company	–	–	–	–	–	–	–	–	–	–	–	–
Dividends declared by subsidiaries	–	–	–	–	–	–	–	–	–	–	(16,050,068)	(16,050,068)
Total dividends declared	–	–	–	–	–	–	–	–	–	–	(16,050,068)	(16,050,068)
Balances as at March 31, 2018	₱253,758,109	₱921,836,572	₱154,578,328	(179,954,180)	₱1,329,730,248	₱243,410,105	₱84,983,406	(₱5,133,141)	₱8,732,303,181	₱11,535,512,628	₱5,323,815,910	₱16,859,328,538

See accompanying Notes to Consolidated Financial Statements

HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Periods Ended March 31		
	2020	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱421,694,413**	₱702,748,692	₱587,458,589
Adjustments for:			
Depreciation and amortization	**319,063,576**	158,773,718	175,870,392
Interest and finance charges	**155,005,893**	188,787,597	82,145,007
Movement in accrued retirement liability	–	–	–
Dividend income	**(467,504)**	(12,234,140)	(650,000)
Interest income	**(9,618,667)**	(13,660,191)	(9,900,916)
Impact of PFRS 16 adoption	–	(30,079,126)	–
Equity earnings in associates	**(274,205,770)**	(187,866,801)	(215,291,541)
Operating income working capital changes	**611,471,941**	806,469,749	619,631,531
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Accounts receivable	**(419,390,423)**	(787,819,758)	766,807,509
Loans receivable	–	(11,356,766)	(418,151)
Contract assets	**(212,581,550)**	158,680,385	(390,273,768)
Inventories	**(286,461,214)**	10,334,165	(130,466,594)
Prepaid expenses and other current assets	**(354,664,866)**	(287,676,929)	(159,350,422)
Financial asset at FVPL	–	(8,802,631)	(44,428)
Increase (decrease) in:			
Accounts payable and accrued expenses	**601,592,560**	59,372,968	455,890,591
Customers' deposits	**–**	–	5,444,629
Billings in excess of costs and estimated earnings on uncompleted contracts	**–**	–	(640,698,162)
Contract liabilities	**(752,939,806)**	(72,423,446)	(63,401,698)
Accrued retirement liability	**14,065,664**	2,767,257	141,287
Net cash generated from (used for) operations	**(798,907,694)**	(130,455,006)	463,262,324
Interest received	**9,618,667**	13,660,191	9,900,916
Interest and finance charges paid	**(155,005,893)**	(188,787,597)	(82,145,007)
Income tax paid	**39,050,634**	(104,616,806)	(46,608,717)
Net cash flows provided by (used in) operating activities	**(905,244,286)**	(410,199,218)	344,409,516
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments received from (advances to) related parties	**(145,053,507)**	75,058,157	(1,913,778)
Investments in associates and joint ventures	**197,210,771**	(5,297,926)	(316,976,398)
Increase (decrease) in other noncurrent assets	**106,329,812**	(339,974,615)	22,219,294
Proceeds from disposals (acquisitions) of available-for-sale securities	**18,507,162**	(4,127,672)	782,315
Property, plant and equipment, net	**377,301,872**	(117,140,158)	(232,216,161)
Dividends received	**467,504**	12,234,140	650,000
Net Addition (deduction) to minority interest	**(100,558,107)**	(13,679,641)	(859,673)
Net cash flows used in investing activities	**454,205,507**	(392,927,715)	(528,314,401)

	Periods Ended March 31		
	2020	2019	2018
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds (payments) from:			
Loans payable	**1,099,000,000**	574,900,000	(225,000,000)
Long-term debt	**(257,441,174)**	(263,095,239)	(122,966,753)
Other noncurrent liability	**(17,877,063)**	610,454,054	–
Redemption of preferred shares	**(6,710,402)**	–	–
Cash dividends paid	**(86,529)**	–	–
Net cash flows provided by (used in) financing activities	**816,884,832**	922,258,815	(347,966,753)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**365,846,053**	119,131,882	(531,871,638)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**2,686,669,074**	2,039,664,825	1,967,498,425
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**₱3,052,515,127**	₱2,158,796,707	₱1,435,626,787

See accompanying Notes to Consolidated Financial Statements

HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

House of Investments, Inc. (the Parent Company) is a stock corporation incorporated under the laws of the Republic of the Philippines on May 21, 1959. On July 20, 2007, the Parent Company's corporate life was extended for another fifty (50) years starting May 21, 2009.

The Parent Company and its subsidiaries (collectively known as the Group) are primarily engaged in car dealership, construction, education, property services, afterlife services, consumer finance, and pharmaceuticals.

The Parent Company's common stock was listed with the Philippine Stock Exchange (PSE) on July 2, 1962, the Parent Company's initial public offering (IPO). The Parent Company's shares of stock are currently traded at the PSE. The ultimate parent company of the Group is Pan Malayan Management and Investment Corporation (PMMIC).

The registered office address and principal place of business of the Parent Company is at 3rd Floor, Grepalife Building, 219 Sen. Gil J. Puyat Avenue, Makati City, Metro Manila. On March 30, 2020, the Board of Directors (BOD) approved its amended Articles of Incorporation to change its registered office address to its current address from 3rd Floor, Grepalife Building, 219 Sen. Gil J. Puyat Avenue, Makati City, Metro Manila to 9th Floor, Grepalife Building, 221 Sen. Gil J. Puyat Avenue, Makati City, Metro Manila. As of the report date, the stockholders have not yet approved the amended Articles of Incorporation.

Authorization of the Issuance of the Consolidated Financial Statements

The accompanying consolidated financial statements were authorized for issue in accordance with a resolution of the BOD on May 22, 2020.

2. Basis of Preparation and Statement of Compliance

Basis of Preparation

The consolidated financial statements of the Group have been prepared under the historical cost basis, except for land, which is carried at revalued amount and financial assets at FVPL and FVOCI which are measured at fair value. The accompanying consolidated financial statements are presented in Philippine Peso (Php, ₱), which is also the Parent Company's functional currency. Except as indicated, all amounts are rounded off to the nearest peso.

Statement of Compliance

The consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs).

Basis of Consolidation

The consolidated financial statement include the Parent Company and the following companies that it controls:

				Percentage of Ownership			
	Place of			Mar 2020		Dec 2019	
	Incorporation	Nature of Business	Functional Currency	Direct	Indirect	Direct	Indirect
Investment Managers, Inc. (IMI)	Philippines	Insurance agent, financing, trading and real estate	Philippine Peso	**100.00**	**–**	100.00	–
Landev Corporation	Philippines	Property management	Philippine Peso	**100.00**	**–**	100.00	–
Xamdu Motors, Inc. (XMI)	Philippines	Car dealership	Philippine Peso	**100.00**	**–**	100.00	–
Zamboanga Carriers, Inc. (ZCI)	Philippines	Transportation	Philippine Peso	**100.00**	**–**	100.00	–
Zambowood Realty and Development Corporation (ZRDC)	Philippines	Real estate	Philippine Peso	**100.00**	**–**	100.00	–
Greyhounds Security and Investigation Agency Corp.	Philippines	Security agency	Philippine Peso	**–**	**100.00**	–	100.00
Hexagon Lounge, Inc.	Philippines	Restaurant	Philippine Peso	**–**	**100.00**	–	100.00
Secon Professional Security Training Academy Inc.	Philippines	Training service provider	Philippine Peso	**–**	**100.00**	–	100.00
Honda Cars Kalookan, Inc. (HCKI)	Philippines	Car dealership	Philippine Peso	**55.00**	**–**	55.00	–
La Funeraria Paz Sucat, Inc. (LFPSI)[a]	Philippines	Memorial services	Philippine Peso	**50.00**	**13.00**	–	–
Zamboanga Industrial Finance Corporation (ZIFC)[b]	Philippines	Consumer finance	Philippine Peso	**–**	**–**	–	–
EEI Corporation (EEI)[c]	Philippines	Construction	Philippine Peso	**55.34**	**–**	**54.65**	–
Bagumbayan Equipment & Industrial Products, Inc.	Philippines	Consultancy services	Philippine Peso	**–**	**100.00**	–	100.00
Clear Jewel Investments, Ltd.	British Virgin Islands	Holding company	US Dollar	**–**	**100.00**	–	100.00
EEI Limited	British Virgin Islands	Holding company	US Dollar	**–**	**100.00**	–	100.00
EEI (PNG), Ltd	Papua New Guinea	Holding company	US Dollar	**–**	**100.00**	–	100.00
EEI Corporation (Guam), Inc.	United States of America	Construction	US Dollar	**–**	**100.00**	–	100.00
EEI Construction and Marine, Inc.	Philippines	Construction	Philippine Peso	**–**	**100.00**	–	100.00
EEI Realty Corporation (EEI Realty)	Philippines	Real estate	Philippine Peso	**–**	**100.00**	–	100.00
EEI Subic Corporation	Philippines	Construction	Philippine Peso	**–**	**100.00**	–	100.00
Equipment Engineers, Inc. (EE)	Philippines	Construction	Philippine Peso	**–**	**100.00**	–	100.00
EEI Power Corporation (EPC)	Philippines	Power generation	Philippine Peso	**–**	**100.00**	–	100.00
Gulf Asia International Corporation (GAIC)	Philippines	Manpower services	Philippine Peso	**–**	**100.00**	–	100.00
GAIC Professional Services, Inc. (GAPSI)	Philippines	Manpower services	Philippine Peso	**–**	**100.00**	–	100.00
GAIC Manpower Services, Inc. (GAMSI)	Philippines	Manpower services	Philippine Peso	**–**	**100.00**	–	100.00
Nimaridge Investments, Limited	British Virgin Islands	Holding company	US Dollar	**–**	**100.00**	–	100.00
Philmark, Inc.	Philippines	Construction	Philippine Peso	**–**	**100.00**	–	100.00
Philrock Construction and Services, Inc.	Philippines	Manpower services	Philippine Peso	**–**	**100.00**	–	100.00
JP Systems Asia Inc. (JPSAI)	Philippines	Rental of scaffolding and formworks	Philippine Peso	**–**	**60.00**	–	60.00
BiotechJP Corporation[d]	Philippines	Manufacturing food and therapeutic food	Philippine Peso	**–**	**60.00**	–	–
Learn JP Corp[e]	Philippines	Service for improvement in language proficiency	Philippine Peso	**–** **-**	**60.00**	**–**	**–**
Shinbayanihan Heavy Equipment Corp.[f]	Philippines	Rental of construction equipment	Philippine Peso	**–**	**40.00**	–	–
iPeople, Inc. (IPO)[g]	Philippines	Education and Information Technology	Philippine Peso	**48.18**	**–**	67.34	–
Malayan Education System, Inc. (MESI) (formerly Malayan Colleges, Inc.)[h]	Philippines	Education and Information Technology	Philippine Peso	**–**	**100.00**	7.00	93.00
Mapua Information Technology Center, Inc. (MITC)	Philippines	Education and Information Technology	Philippine Peso	**–**	**100.00**	–	100.00
Mapua Techserv, Inc. (MTI)	Philippines	Consultancy	Philippine Peso	**–**	**100.00**	–	100.00
San Lorenzo Ruiz Investment Holdings and Services Inc. (formerly San Lorenzo Ruiz Institute of Health Sciences, Inc.) (SLRHSI)	Philippines	Education and Information Technology	Philippine Peso	**–**	**100.00**	–	100.00
Malayan High School of Science, Inc. (MHSSI)	Philippines	Education and Information Technology	Philippine Peso	**–**	**100.00**	–	100.00
Malayan Colleges Laguna, Inc. (MCLI)	Philippines	Education and Information Technology	Philippine Peso	**–**	**100.00**	–	100.00
Malayan Colleges Mindanao, Inc. (MCMI)	Philippines	Education and Information Technology	Philippine Peso	**–**	**100.00**	–	100.00
Mapua Techpower, Inc.	Philippines	Consultancy	Philippine Peso	**–**	**75.00**	–	75.00
Affordable Private Education Center, Inc (APEC)[i]	Philippines	Education and Information Technology	Philippine Peso	**–**	**100.00**	–	–

Forward

	Place of Incorporation	Nature of Business	Functional Currency	Percentage of Ownership Mar 2020 Direct	Indirect	Dec 2019 Direct	Indirect
AC College of Enterprise and Technology, Inc[i]	Philippines	Education and Information Technology	Philippine Peso	–	**100.00**	–	–
LINC Institite, Inc[i]	Philippines	Education and Information Technology	Philippine Peso	–	**100.00**	–	–
People eServe Corporation	Philippines	Education and Information Technology	Philippine Peso	–	**100.00**	–	–
Pan Pacific Computer Center, Incorporated (PPCCI)[j]	Philippines	Education and Information Technology	Philippine Peso	–	**100.00**	–	–
National Teachers College[i]	Philippines	Education and Information Technology	Philippine Peso	–	**99.79**	–	–
University of Nueva Caceres[i]	Philippines	Education and Information Technology	Philippine Peso	–	**83.62**	–	–

(a) Consolidated starting March 2019
(b) Sold in July 2019
(c) Purchased additional shares in November 2019
(d) Consolidated starting September 2019
(e) Consolidated starting December 2019
(f) Consolidated starting July 2019
(g) Effective last May 2019 due to merger of IPO and Ayala Education Inc. (AEI) (Note 5)
(h) Sold to IPO in May 2019
(i) Acquired in May 2019 through business combination
(j) Ceased operation in July 2017

The consolidated financial statements are prepared for the same reporting year as the Parent Company, using consistent accounting policies. All significant intercompany balances and transactions, including income, expenses and dividends, are eliminated in full. Profits and losses resulting from intercompany transactions that are recognized in assets are eliminated in full.

The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company, using consistent accounting policies.

Control is achieved when the Parent Company is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Parent Company controls an investee if and only if the Parent Company has:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

When the Parent Company has less than a majority of the voting or similar rights of an investee, the Parent Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Parent Company's voting rights and potential voting rights.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Parent Company obtains control, and continue to be consolidated until the date when such control ceases.

Non-controlling interest represents the portion of profit or loss and net assets not held by the Parent Company. Profit or loss and each component of other comprehensive income are attributed to the equity holders of the Parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

Losses within a subsidiary are attributed to the non-controlling interest until the balance is reduced to nil. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interests;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Reclassifies to profit or loss, or transfer directly to retained earnings if required by other PFRSs, the amounts recognized in other comprehensive income in relation to the subsidiary; and recognizes any resulting difference as a gain or loss in profit or loss attributable to the Parent Company

3. **Changes in Accounting Policies**

The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the following new accounting pronouncements starting January 1, 2019. Adoption of these pronouncements did not have any significant impact on the Group's financial position or performance unless otherwise indicated.

- PFRS 16, *Leases*

  PFRS 16 supersedes PAS 17, *Leases*, Philippine Interpretation IFRIC 4, *Determining whether an Arrangement contains a Lease*, Philippine Interpretation SIC-15, *Operating Leases-Incentives* and Philippine Interpretation SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases on the statement of financial position. The standard includes two recognition exemptions for lessees - leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

  Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

  Lessor accounting under PFRS 16 is substantially unchanged from PAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in PAS 17. Therefore, PFRS 16 did not have an impact for leases where the Group is the lessor.

  PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

  The Group adopted PFRS 16 using the modified retrospective method of adoption with the date of initial application of January 1, 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application. The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at January 1, 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying PAS 17 and IFRIC 4 at the date of initial application.

Under the modified retrospective approach, a lessee will apply PFRS 16 with cumulative effect of initial application recognized in retained earnings or other component of equity, as appropriate, at date of initial application, and will not restate any comparative information. Under this approach, the Group recognizes a lease liability at date of initial application at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at date of initial application. At the same time, the Group recognizes a right-of-use (ROU) asset at date of initial application, measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the consolidated statement of financial position immediately before the date of initial application.

The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases') and lease contracts for which the underlying asset is of low value ('low-value leases').

The effect of adoption of PFRS 16 as at January 1, 2019 is, as follows:

Assets	Increase
Right-of-use assets (Note 14)	₱1,378,023,041
Total Assets	₱1,378,023,041
Liabilities	
Current portion of lease liabilities (Note 14)	₱245,915,345
Lease liabilities - net of current portion (Note 14)	1,190,214,802
Total Liabilities	₱1,436,130,147

Lease previously accounted for as an operating lease
The Group recognized right-of-use assets and lease liabilities for its lease previously classified as an operating lease. The right-of-use assets for its lease was recognized based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application

Operating lease commitments as at December 31, 2018	₱1,443,987,002
Weighted average incremental borrowing rate as at January 1, 2019	7.24%
Discounted operating lease commitments as at January 1, 2019	790,969,939
Less: Commitments relating to short-term leases and low-value	(25,919,076)
Add: Lease payments relating to renewal periods not included in operating lease commitments as at December 31, 2018	671,079,284
Lease liabilities as at January 1, 2019	₱1,436,130,147

Due to the adoption of PFRS 16, the Group's operating profit in 2019 improved, while its interest expense increased. This is due to the change in the accounting for rent expense related to leases that were classified as operating leases under PAS 17.

The adoption of PFRS 16 did not have an impact on equity in 2019, since the Group elected to measure the right-of-use assets at an amount equal to the lease liability , adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the statement of financial position immediately before the date of initial application. The Group's weighted average incremental borrowing rate applied to the lease liabilities recognized at the date of application. Any difference between the result of discounting the operating lease commitments reported under PAS 17 at the end of the annual reporting preceding the date of application and lease liabilities recognized on the statement of financial position immediately after posting the cumulative catch-up adjustment on the date of initial application.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*
  The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12, *Income Taxes*. It does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses the following:
  - Whether an entity considers uncertain tax treatments separately;
  - The assumptions an entity makes about the examination of tax treatments by taxation authorities;
  - How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates;
  - How an entity considers changes in facts and circumstances.

  An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The adoption of Philippine Interpretation IFRIC-23 did not have material impact on the financial statements.

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*
- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*
- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
- *Annual Improvements to PFRSs* 2015-2017 Cycle
  - Amendments to PFRS 3, *Business Combinations,* and PFRS 11, *Joint Arrangements*, *Previously Held Interest in a Joint Operation*
  - Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*
  - Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

Standards Issued But Not Yet Effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements will have a significant impact on its financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2020

- Amendments to PFRS 3, *Definition of a Business*

  The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

  These amendments will apply on future business combinations of the Group.

- Amendments to PAS 1, *Presentation of Financial Statements,* and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

  The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*
  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects.

  The core of PFRS 17 is the general model, supplemented by:
    - A specific adaptation for contracts with direct participation features (the variable fee approach)
    - A simplified approach (the premium allocation approach) mainly for short-duration contracts

PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted.

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

  On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

4. Summary of Significant Accounting Policies

Leases - *Group as a lessee*, Effective starting January 1, 2019

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee
The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets
The Group recognizes right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date ease incentives received.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives (EUL) of the assets, as follows:

	Years
Land	5 to 66
Building	2 to 10

Right-of-use assets are subject to impairment. Refer to the accounting policies in section impairment of non-financial assets.

Lease liabilities
At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

Lease liabilities that are expected to be settled for no more than 12 months after reporting period are classified as current liabilities presented as current portion of lease liabilities. Otherwise, these are classified as noncurrent liabilities.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the leases of low-value assets recognition exemption to leases of property and equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Group as a lessor
Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Leases - *Company as a lessee*, Prior to January 1, 2019

Operating Leases
Operating leases represent those leases under which substantially all risks and rewards of ownership of the leased assets remain with the lessors. Lease receipts (payments) under operating lease agreements are recognized as income (expense) on a straight-line basis over the term of the lease.

Revenue Recognition Effective starting January 1, 2018

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.

Revenue from construction contracts
The Group assessed that there is only one performance obligation for each construction agreement that it has entered and that revenue arising from such agreements qualify for recognition over time because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced by applying par. 35(b) of PFRS 15. Control of an asset refers to the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset. The customer, having the ability to specify the design (or any changes thereof) of the asset, controls the asset as it is being constructed. Furthermore, the Group builds the asset on the customer's land (or property controlled by the customer), hence, the customer generally controls any work in progress arising from the Group's performance. The Group also recognized as part of its construction revenue, the effects of variable considerations arising from various change orders and claims, to the extent that they reflect the amounts the Group expects to be entitled to and to be received from the customers, provided that it is highly probable that a significant reversal of the revenue recognized in connection with these variable considerations will not occur in the future. For unpriced change orders and claims, the Group uses the "most likely amount" method to predict the amounts the Group expects to be entitled to and to be received from the customers.

The Group elected to use the input method to measure the progress of the fulfilment of its performance obligation, which is based on the actual costs incurred to date relative to the total estimated cost to complete the construction projects because there is a direct relationship between the Group's effort (i.e., costs incurred) and the transfer of service to the customer. The Group excludes the effect of any costs incurred that do not contribute to the Group's performance in transferring control of goods or services to the customer (such as unexpected amounts of wasted materials, labor or other resources) and adjusts the input method for any costs incurred that are not proportionate to the Group's progress in satisfying the performance obligation (such as uninstalled materials).

Revenue from sale of goods
Revenue from sale of goods is recognized at a point in time when control of the asset is transferred to the customer, generally on delivery and acceptance of the inventory item.

Revenue from tuition and other related fees
Revenue from tuition fees and other matriculation fees are recognized over time as revenue over the corresponding school term using the output method (i.e., time lapsed over the service period such as semester or school year, depending on the curriculum registered). Upon enrollment, students have the option to pay the tuition and other matriculation fees in full or installment.

Admission, examination and other fees are recognized as income when examination has been granted by the school and related services have been provided to the students (at point in time).

Revenue from power generation
The Group's power supply agreement with its customer requires the Group to deliver certain units of electricity (in kWh) to the customer per month. As delivery of electricity constitutes a series of distinct good or services that are substantially the same and have the same pattern of transfer to the customer (i.e., the good or service would be recognized over time using the same measure of progress), this was treated by the Group as a single performance obligation. Because electricity is simultaneously provided and consumed, the Group's performance obligation to deliver electricity qualifies for revenue recognition over time by applying par. 35(a) of PFRS 15. The Group recognizes revenue from power generation by applying the "right to invoice" practical expedient

since the Group's right to payment is for an amount that corresponds directly with the value to the customer of the Group's performance to date.

Revenue from manpower services
Under the Group's service agreements with its customers, the Group is required to provide manpower services (including but not limited to janitorial, messengerial and other allied services). As provision of these services constitutes a series of distinct good or services that are substantially the same and have the same pattern of transfer to the customer (i.e., the good or service would be recognized over time using the same measure of progress), this was treated by the Group as a single performance obligation. Because the services are simultaneously provided and consumed by the customer, the Group's performance obligation to render such services qualifies for revenue recognition over time by applying par. 35(a) of PFRS 15. The Group recognizes revenue from manpower supply services by applying the "right to invoice" practical expedient since the Group's right to payment is for an amount that corresponds directly with the value to the customer of the Group's performance to date.

Contract balances arising from revenue with customer contracts
Receivables
A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract assets
A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

Contract liabilities
A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

Revenue Recognition Prior to January 1, 2018

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and other sales taxes or duty. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent.

The following specific recognition criteria must also be met before revenue is recognized:

Revenue from construction contracts
Revenue from construction contracts are recognized using the percentage-of-completion method of accounting. Under this method, revenue is generally measured on the basis of estimated completion of the physical proportion of the contract work.

Expected losses on contracts are recognized immediately when it is probable that the total contract costs will exceed total contract revenue. The amount of such loss is determined irrespective of whether or not work has commenced on the contract; the stage of completion of contract activity; or the amount of profits expected to arise on other contracts, which are not treated as a single construction contract. Changes in contract performance, contract conditions and estimated profitability, including those arising from contract penalty provisions and final contract settlements that may result in revisions to estimated costs and gross margins are recognized in the year in which the changes are determined. Profit incentives are recognized as revenue when their realization is reasonably assured.

The asset "Costs and estimated earnings in excess of billings on uncompleted contracts" represents total costs incurred and estimated earnings recognized in excess of amounts billed. The liability "Billings in excess of costs and estimated earnings on uncompleted contracts" represents billings in excess of total costs incurred and estimated earnings recognized. Contract retentions are presented as part of "Trade receivables" under the "Receivables" account in the consolidated statement of financial position.

Revenue from sale of goods
Revenue from sale of merchandise is recognized immediately upon the buyer's acceptance of delivery when the installation process is simple in nature, as applicable, otherwise, revenue is recognized when the buyer accepts delivery and when installation and inspection are complete.

*Revenue from s*chool and related operations:
Revenues from school operations are recognized as income over the corresponding school term. Unearned revenues are shown as unearned tuition fees in the consolidated statement of financial position and will be recognized as revenues when the educational service has been fulfilled in the applicable school term.

Admission, examination and other fees are recognized as income when examination has been granted by the school and related services have been provided to the students.

Revenue from power generation
Revenue derived from the generation and/or supply of electricity is recognized based on the actual delivery of electricity as agreed upon between parties.

Interest Income
Interest income is recognized as it accrues taking into account the effective yield on the asset.

Rent Income
Rent income is recognized as revenue on a straight-line basis over the lease term.

Dividend Income
Dividend income is recognized when the Group's right to receive the payment is established.

Expenses
Expenses are recognized in the consolidated statement of income when decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably.

Cost of sales and services
Cost of sales is recognized as an expense when the related goods are sold. Cost of services include all direct materials and labor costs and those indirect costs related to contract performance which are recognized as incurred.

General and administrative expenses
Administrative expenses constitute costs of administering the business and are expensed as incurred.

Current versus Non-current Classification
The Group presents assets and liabilities in statement of financial position based on current/non-current classification. An asset as current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period or
- Cash and cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period or
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period

The Group classifies all other liabilities as non-current. Deferred tax assets and deferred tax liabilities are classified as non-current assets and liabilities.

Cash and Cash Equivalents
Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three (3) months or less from date of placement and that are subject to an insignificant risk of changes in value.

Fair Value Measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 - valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 - valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Financial Instruments - Initial Recognition and Subsequent Measurement Effective

Financial Assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss (FVPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price determined under PFRS 15.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortized cost (debt instruments)
The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost includes Cash and cash equivalents, Receivables, and Due from related parties.

Financial assets designated at fair value through OCI (equity instruments)
Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation*, and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the consolidated statement of income when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably all its equity investments under this category.

The Group does not have any debt financial assets at fair value through OCI and financial assets at fair value through profit or loss as of March 31, 2020 and December 31, 2019.

Impairment of financial assets
The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The loss allowance was adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECL is based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

The Group generally considers a financial asset in default when contractual payments are 90 days past due. For a financial asset that arises from long-term construction contracts, the Group considers the asset to be in default if contractual payments are not settled within 30 days from the completion of the construction project. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial Liabilities

The accounting for the Group's financial liabilities remains the same as it was under PAS 39. The Group initially measures a financial liability at its fair value plus, in the case of a financial liability not at fair value through profit or loss, transaction costs. The Group has no financial liabilities at FVPL.

Subsequent to initial recognition, the Group's financial liabilities are carried at amortized cost. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the consolidated statement of income. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

This category generally applies to the Group' Accounts payable and other current liabilities, Loans payable, Long-term debt, Lease liabilities and Due to related parties.

Derecognition of Financial Instruments

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when: (a) the rights to receive cash flows from the asset have expired; or (b) the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; and either (i) has transferred substantially all the risks and rewards of the asset, or (ii) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of income.

Other financial liabilities
Other financial liabilities are nonderivative financial liabilities with fixed or determinable payments that are not quoted in an active market. These liabilities are carried at amortized cost in the consolidated statement of financial position. Amortization is determined using the effective interest method. Gains and losses are recognized in the consolidated statement of comprehensive income, when the liabilities are derecognized as well as through the amortization process.

Other financial liabilities are classified as current liabilities when it is expected to be settled within twelve (12) months from the financial reporting date or the Group does not have an unconditional right to defer settlement for at least 12 months from financial reporting date. Otherwise, these are classified as noncurrent liabilities. Gains and losses are recognized in the consolidated statement of income when the liabilities are derecognized.

The Group's other financial liabilities consist of Loans payable, Accounts payable and other current liabilities, Due to related parties and Long-term debt.

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position only if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

Jointly Controlled Operations
A jointly controlled operation involves the use of the assets and other resources of the venturers rather than the establishment of a corporation, partnership or other entity, or a financial structure that is separate from the venturers themselves. Each venturer uses its own property, plant and equipment and carries its own inventories. It also incurs its own expenses and liabilities and raises its own finance, which represent its own obligations.

Inventories
Inventories are valued at the lower of cost and net realizable value (NRV). NRV is the selling price in the ordinary course of business, less the estimated costs of completion of inventories and the estimated costs necessary to sell.

Cost includes purchase price and other costs directly attributable to its acquisition such as non-refundable taxes, handling and transportation cost.

The cost of real estate inventories includes (a) land cost; (b) freehold and leasehold rights for land; (c) amounts paid to contractors for construction; (d) borrowing costs, planning and design cost, cost of site preparation, professional fees, property taxes, construction overheads and other related costs.

Cost of inventories is generally determined primarily using the moving-average method, except for automotive units of the car dealerships and real estate inventories of EEI Realty, which are accounted for using the specific identification method.

Value-Added Tax (VAT)
Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the consolidated statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the consolidated statement of financial position up to the extent of the recoverable amount.

Prepaid Expenses

Prepaid expenses are carried at cost less the amortized portion. These typically comprise prepayments of insurance premiums, rents and others. It is included as part of other current assets in the consolidated statement of financial position.

Other Current Assets

Other current assets pertain to other resources controlled by the Group as a result of past events and from which future economic benefits are expected to flow to the Group within the reporting period.

Investments in Associates and Joint Venture

An associate is an entity in which the Group has significant influence. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Investments in associates and joint venture are accounted for using the equity method of accounting. Under this method, the investment amount is increased or decreased to recognize the Group's share in the profit or loss of the investee after the date of acquisition. Dividends received from the investee reduces the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the Group's proportionate interest in the investee arising from changes in the investee's other comprehensive income.

Gains and losses resulting from 'upstream' and 'downstream' transactions between the Group and its associate or joint venture are recognized in the consolidated financial statements only to the extent of unrelated investors' interests in the associate or joint venture.

The reporting dates and the accounting policies of the associates and joint venture conform to those used by the Group for like transactions and events in similar circumstances.
The Group discontinues applying the equity method when their investment in investee company is reduced to zero. Accordingly, additional losses are not recognized unless the Group has guaranteed certain obligations of the investee company. When the investee company subsequently reports net income, the Group will resume applying the equity method but only after its share of that net income equals the share of net losses not recognized during the period the equity method was suspended.

The reporting dates of the investee company and the Group are identical and the investee companies' accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

After application of the equity method, the Group determines whether it is necessary to recognize an additional impairment loss on the Group's investment in its associates and joint venture. The Group determines at each reporting date whether there is any objective evidence that the investment in the associates and joint venture is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the impairment loss in the consolidated statement of income.

Upon loss of significant influence over the associate, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associates or joint venture upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in the consolidated statement of income.

The Group's associates and joint venture accounted for using the equity method as of March 31 follows:

	Place of Incorporation	Nature of Business	Functional Currency	Percentage of Ownership	
				Mar 2020	Dec 2019
Associates:					
Hi-Eisai Pharmaceutical, Inc. (HEPI)	Philippines	Pharmaceutical	Philippine peso	**50.00**	50.00
Petroenergy Resources Corporation (PERC)	Philippines	Renewable energy	Philippine peso	**29.10**	28.36
T'boli Agro-Industrial Development, Inc.	Philippines	Agriculture	Philippine peso	**28.47**	28.47
Manila Memorial Park Cemetery, Inc. (MMPC)	Philippines	Funeral service	Philippine peso	**25.98**	25.98
Sojitz G Auto Philippines Corporation (SGAPC)	Philippines	Automotive distributor	Philippine peso	**20.00**	–
RCBC Realty Corporation (RRC)	Philippines	Realty	Philippine peso	**10.00**	10.00
La Funeraria Paz Sucat, Inc. (LFPSI)	Philippines	Funeral service	Philippine peso	–	37.50
Al-Rushaid Construction Company Limited (ARCC)	Saudi Arabia	Construction	Saudi riyal	**49.00**	49.00
PetroSolar Corporation (PSOC)	Philippines	Renewable energy	Philippine peso	**44.00**	44.00
Joint venture:					
Shinbayanihan Heavy Equipment Corporation (SHEC)	Philippines	Equipment rental	Philippine peso	**40.00**	–
PetroWind Energy, Inc. (PWEI)	Philippines	Renewable energy	Philippine peso	**20.00**	20.00

On November 8, 2019, the Group purchased 2,500,000 shares of SGAPC from Sojitz Corporation amounting to ₱50.00 million or equivalent to 20.00% ownership equity.

In July 2019, the Group acquired 40.00% stake in SHEC and was accounted for as joint venture (Note 12).

On April 16 and 30, 2019, the Group purchased additional 2,913,090 and 1,240,561 PERC shares, respectively, resulting to an increase in ownership interest from 28.36% to 29.10%.

On March 1, 2019, the Group purchased additional 90,000 shares of LFPSI for ₱25.00 million resulting to an increase in direct ownership from 37.50% to 50.00%. The Group's total effective interest in LFPSI as of December 31, 2019 is 63.00%, including its 13.00% indirect ownership.

On February 2, 2018, the Group purchased additional 69.3 million PERC shares from stock rights offering for ₱332.6 million resulting to an increase in ownership interest from 22.41% to 28.36%.

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation, amortization and impairment loss, if any, except for land which is carried at revalued amount based on the latest appraisal conducted by an independent appraisers. The appraisal increment resulting from the revaluation is treated as a separate component in the Group's equity.

The initial cost of property and equipment consists of its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the assets have been put into operation, such as repairs and maintenance, are normally charged to operations in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment. When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected as part of current operations.

Depreciation is computed using the straight-line method over the following average EUL:

	Years
Buildings and improvements	5 to 40
Machinery, tools and construction equipment	2 to 20
Transportation and service equipment	5
Furniture, fixtures and office equipment	3 to 10

Amortization of improvements is computed over the EUL of the improvement or term of the lease, whichever is shorter.

The useful lives and depreciation method are reviewed periodically to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

Minor repairs and maintenance costs are charged to consolidated statement of income as incurred; significant renewals and betterments are capitalized. When assets are retired or otherwise disposed of, the cost or revalued amount, appraisal increase and related accumulated depreciation and amortization are removed from the accounts and any resulting gains or losses are reflected in the consolidated statement of income.

Construction in progress represents property and equipment under construction and is stated at cost. This includes cost of construction, plant and equipment and other direct costs. Construction in progress is not depreciated until such time that the relevant assets are completed and put into operational use.
An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income in the year the asset is derecognized.

Upon disposal of land, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

The asset’s residual values, useful lives and methods of depreciation and amortization are reviewed, and adjusted if appropriate, at each financial year-end.

<u>Investment Properties</u>
Investment properties are measured at cost less accumulated depreciation and impairment loss, if any, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met. Investment properties are depreciated on a straight-line basis over its estimated useful life of fifteen (15) to twenty years (20). Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any impairment in value.

Investment properties are derecognized when they either have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated statement of income in the year of retirement or disposal.

Transfers are made to investment property when there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment property when there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale.

Transfers between investment property, owner-occupied property and inventories do not change the carrying amount of the property transferred and they do not change the cost of that property for measurement or disclosure purposes.

Software Costs

Software costs are stated at cost less accumulated amortization and any impairment in value. Costs related to software purchased by the Group for use in the operations are amortized on a straight-line basis over a period of three (3) years.

Costs associated with developing and maintaining computer software programs are recognized as an expense when incurred. Costs that are directly associated with identifiable and unique software controlled by the Group and will generate economic benefits exceeding costs beyond one year, are recognized as intangible assets to be measured at cost less accumulated amortization and provision for impairment losses, if any.

Impairment of Nonfinancial Assets

For investments in Associate and joint venture, Property and equipment, Right-of-use asset, Investment properties and Computer software costs, the Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An assets' recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income.

Impairment losses are recognized in the consolidated statement of income in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to equity. In this case, the impairment is also recognized in equity up to the amount of any previous revaluation.

Borrowing Costs

Borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset including property and equipment while the qualifying asset is under construction are capitalized as part of the cost of that asset. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Capitalization of borrowing cost should commence when: (i) expenditures for the asset and borrowing costs are being incurred; and (ii) activities that are necessary to prepare the asset for its intended use or sale are in progress.

Capitalization ceases when the asset is substantially ready for its intended use or sale. If active development is interrupted for an extended period, capitalization is suspended. When construction occurs piecemeal and use of each part is possible as construction continues, capitalization of each part ceases upon substantial completion of that part. For borrowing of funds associated with a specific asset, the actual rate on that borrowing is used. Otherwise, a weighted average cost of borrowing is used. All other borrowing costs are expensed as incurred. However, if the carrying amount of the asset after capitalization of borrowing costs exceeds its recoverable amount, an impairment loss is recognized.

Business Combination and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with PAS 39 either in profit or loss or as a change to OCI. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

PFRS 3 provides that if the initial accounting for a business combination can be determined only provisionally by the end of the period in which the combination is effected because either the fair values to be assigned to the acquiree's identifiable assets, liabilities or contingent liabilities or the cost of the combination can be determined only provisionally, the acquirer shall account for the combination using those provisional values. The acquirer shall recognize any adjustments to those provisional values as a result of completing the initial accounting within twelve months of the acquisition date as follows: (i) the carrying amount of the identifiable asset, liability or contingent liability that is recognized or adjusted as a result of completing the initial accounting shall be calculated as if its fair value at the acquisition date had been recognized from that date; (ii) goodwill or any gain recognized shall be adjusted by an amount equal to the adjustment to the fair value at the acquisition date of the identifiable asset, liability or contingent liability being recognized or adjusted; and (iii) comparative information presented for the periods before the initial accounting for the combination is complete shall be presented as if the initial accounting has been completed from the acquisition date.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss. Before recognizing a gain on a bargain purchase, the Group assesses whether it has correctly identified all of the assets acquired an all of the liabilities assumed, and recognize any additional assets or liabilities that are identified in that review.

Following initial recognition, goodwill is measured at cost less any accumulated impairment loss. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For purposes of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Each unit or group of units to which the goodwill is allocated should:

- represent the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- not be larger than an operating segment determined in accordance with PFRS 8, *Operating Segments*

Impairment is determined by assessing the recoverable amount of the CGU (or group of CGUs), to which the goodwill relates. Where the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount, an impairment loss is recognized. Where goodwill forms part of a CGU (or group of CGUs) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in these circumstances is measured based on the relative values of the operation disposed of and the portion of the CGU retained. If the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the acquirer shall recognize immediately in the consolidated statement of income any excess remaining after reassessment.

<u>General and Administrative Expenses</u>
The Group's general and administrative expenses constitute costs of administering the business. General and administrative expenses are recognized as incurred.

<u>Foreign Currency-denominated Transaction and Translation</u>
The consolidated financial statements are presented in Philippine Peso. Each entity in the Group determines its own functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded in the functional currency rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate at the reporting date. All differences are taken to consolidated statement of income. Non-monetary items that are measured in terms of historical cost in foreign currency are translated using the exchange rates as at the dates of initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

As at reporting date, the assets and liabilities of subsidiaries whose functional currency is not the Philippines Peso are translated into the presentation currency of the Parent Company (the Philippine Peso) at the closing rate as at the reporting date, and the consolidated statement of income accounts are translated at monthly weighted average exchange rate. Likewise, the the financials of the Group's associate whose functional currency is not the Philippine Peso that is accounted for under equity method are translated to the presentation currency of the Parent Company in a similar manner. The exchange differences arising on the translation are taken directly to a separate component of equity under "Cumulative translation adjustments" account.

Upon disposal of a foreign subsidiary, the deferred cumulative amount recognized in other comprehensive income relating to that particular foreign operation is recognized in the consolidated statement of income.

Retirement Cost

Defined benefit plan

The defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets, if any, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form or refunds from the plan or reduction in the future contributions to the plan.

Defined benefit costs on the Group's defined benefit retirement plan are actuarially computed using the projected unit credit (PUC) valuation method. Under this method, the current service cost is the present value of retirement benefits payable in the future with respect to the services rendered in the current period.

Defined benefit costs comprise the following:
(a) service cost;
(b) net interest on the net defined benefit liability or asset; and
(c) remeasurements of net defined benefit liability or asset.

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Income Tax

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and the tax laws used to compute the amount are those that are enacted or substantially enacted by the end of the financial reporting date.

Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, including asset revaluations. Deferred income tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits from excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT), net operating loss carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carryforward of unused MCIT and NOLCO can be utilized.

Deferred tax liabilities are not provided on non-taxable temporary differences associated with investments in domestic subsidiaries, associate and interest in joint venture. With respect to investments in foreign subsidiaries, associate and interest in joint venture, deferred tax liabilities are recognized except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed by the end of each financial reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be used. Unrecognized deferred tax assets are reassessed at the end of each financial reporting date and are recognized to the extent that it has become probable that future taxable profit will be available to allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted by the end of the financial reporting date.

Deferred tax relating to items recognized outside profit or loss are recognized in correlation to the underlying transactions either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and deferred income taxes relate to the same entity and the same taxation authority.

Basic and Diluted Earnings Per Share (EPS)

Basic EPS is computed by dividing net income for the year attributable to equity holders of the Group adjusted for the after-tax amounts of dividends on preferred stock by the weighted average number of common stock outstanding during the year, after giving retroactive effect for any stock dividends, stock splits or reverse stock splits.

Diluted EPS is computed by adjusting the net income for the year attributable to equity holders of the Group and the weighted average number of common stock outstanding during the year after giving retroactive effect for any stock dividends, stock splits or reverse stock splits and adjusted for the effects of all dilutive potential common stock.

Provisions
Provisions are recognized when: (a) the Group has a present obligation (legal or constructive) as a result of a past event; (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Contingencies
Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

Stock Option Plan
No benefit expense is recognized relative to the shares issued under the stock options plan. When the shares related to the stock option plans are subscribed, these are treated as capital stock issuances. The stock option plan is exempt from PFRS 2, *Share-based Payment*.

Segment Reporting
The Group's operating business are organized and managed separately according to the nature of services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in Note 37.

Capital Stock
The Group records common stocks at par value and additional paid-in capital in excess of the total contributions received over the aggregate par values of the equity shares. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax. When the Group purchases the Group's capital stock (treasury shares), the consideration paid, including any attributable incremental costs, is deducted from equity attributable to the Group's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related tax effects is included in equity (Note 21).

Equity Reserve
Equity reserve consist of equity transactions other than capital contributions, such as equity transactions arising from transactions with NCI and combination or entities under common control.

Retained Earnings
Retained earnings represent accumulated earnings of the Group and any adjustment arising from application of new accounting standards, policies or corrections of errors applied retroactively less dividends declared. It includes the accumulated equity in undistributed earnings of consolidated subsidiaries which are not available for dividends until declared by subsidiaries. Appropriated retained earnings are those that are restricted for planned investments and business expansion. Unappropriated retained earnings are those that can be allocated for specific purposes and can be distributed as dividend. Retained earnings are further restricted for the payment of dividends to the extent of the cost of treasury shares (Note 20).

Events After the Financial Reporting Date

Post year-end events that provide additional information about the Group's position at the end of the financial reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to consolidated financial statements when material.

5. Significant Accounting Judgments and Estimates

The preparation of the consolidated financial statements in compliance with PFRSs requires the Group to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. Future events may occur which can cause the assumptions used in arriving at those estimates to change. The effects of any changes in estimates will be reflected in the consolidated financial statements as they become reasonably determinable.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ for such estimates.

<u>Judgment</u>

Determining control over an entity in which Parent Company holds less than majority of voting rights

The Parent Company has determined that it is the largest stockholder of IPO with 48.18% equity interest and also has control over IPO by virtue of the Parent Company's power to nominate majority of the members of the BOD of IPO and for the Parent Company to exercise control and supervision on IPO's operations as well as financial policy. Accordingly, the Parent Company assessed that it controls IPO even though it owns less than 50% equity interest over IPO and accounts for its equity interest over IPO as investment in subsidiary.

Determination of functional currency

PAS 21, *The Effects of Changes in Foreign Exchange Rates*, requires management to use its judgment to determine the entity's functional currency such that it most faithfully represents the economic effects of the underlying transactions, events and conditions that are relevant to the entity. In making this judgment, the following were considered:

- The currency that mainly influences sales prices for financial instruments and services (this will often be the currency in which sales prices for its financial instruments and services are denominated and settled);
- The currency in which funds from financing activities are generated; and
- The currency in which receipts from operating activities are usually retained.

The functional currency is Philippine peso as disclosed in Note 2.

Determination of lease term of contracts with renewal and termination options – Group as a lessee

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

The Group included the renewal period as part of the lease term for leases with shorter non-cancellable period (i.e., three to ten years). The Group typically exercises its option to renew for these leases because there will be a significant negative effect on production if a replacement asset is not readily available. The renewal periods for leases of land and office spaces with longer non-cancellable periods are not included as part of the lease term as these are not reasonably certain to be exercised.

Recognition of revenue from construction contracts
Under PFRS 15, the Group assessed that there is only one performance obligation for each construction agreement that it has entered and that revenue arising from such agreements qualify for recognition over time. The Group elected to use the input method to measure the progress of the fulfilment of its performance obligation, which is based on the actual costs incurred to date relative to the total estimated cost to complete the construction projects. The Group believes that this method faithfully depicts the Group's performance towards satisfaction of its performance obligation because there is a direct relationship between the Group's effort (i.e., costs incurred) and the transfer of service to the customer (Notes 4 and Note 8).

Recognition of tuition and other matriculation fees over time
The Group determined that tuition and other matriculation fees are to be recognized over time using the output method on the basis of time lapsed over the service period since it provides a faithful depiction of the Group's performance in transferring control of the services to the students. The fact that another entity would not need to re-perform the service that the Group has provided to date demonstrates that the customer or the student simultaneously receives and consumes the benefits of the Group's performance as it performs (Note 8).

Determination of significant influence on investment in an associate if ownership is less than 20%
Holding of less than 20% of voting rights is presumed not to give rise to significant influence unless it can be clearly demonstrated that there is in fact significant influence. The Parent Company is able to exercise significant influence for ownership less than 20% because it has an active participation in the policy-making process including operating decisions of the investee.

As of March 31, 2020, and December 31, 2019, the Parent Company holds 10% of interest in RRC. The Parent Company exercises significant influence in RRC since the Parent Company's President is the concurrent president of RRC. The president is also a member of the BOD. As such, the president of the Parent Company effectively has a participation in the policy-making process of RRC. Hence, the Parent Company is able to exercise significant influence even if ownership is less than 20%.

Assessment of joint control
Judgment is required to determine when the Group has joint control over an arrangement, which requires an assessment of the relevant activities and when the decisions in relation to those activities require unanimous consent. The Group assesses their rights and obligations arising from the arrangement and specifically considers:

- the structure of the joint arrangement - whether it is structured through a separate vehicle
- when the arrangement is structured through a separate vehicle, the Group also considers the rights and obligations arising from:
- the legal form of the separate vehicle
- the terms of the contractual arrangement other facts and circumstances, considered on a case by case basis

Estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Leases - Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

The Group's lease liabilities amounted to ₱1.52 billion ₱1.54 billion as of March 31, 2020 and December 31, 2019, respectively.

Estimating variable considerations arising from change orders and claims (applicable beginning January 1, 2018)

The Group frequently agrees to change orders that modify the scope of its work previously agreed with customers and regularly submits claims to customers when unanticipated additional costs are incurred because of delays or changes in scope caused by the customers. PFRS 15 requires the Group to recognize, as part of its revenue from construction contracts, the estimated amounts the Group expects to be entitled to and to be received from customers due to these change orders and claims (otherwise known as variable considerations), provided that it is highly probable that a significant reversal of the revenue recognized in connection with these variable considerations will not occur in the future. For these unpriced change orders and claims, the Group uses the "most likely amount" method to predict the amount to which it will be entitled and expected to be received from the customers.

The aggregate carrying values of receivables and contract assets arising from construction contracts amounted to ₱16.36 billion and ₱15.73 billion as of March 31, 2020 and December 31, 2019, respectively (Notes 7 and 8).

Fair value measurement of unquoted equity investments at FVOCI (applicable beginning January 1, 2018)

The Group uses valuation techniques such as discounted cash flow approach and adjusted net asset method with significant unobservable inputs to calculate the fair value of its unquoted equity investments at FVOCI. These inputs include revenue growth assumptions, discount rates, appraised value of real properties, among others. Changes in assumptions relating to these factors could affect the reported fair value of these unquoted equity financial instruments.

The fair value of unquoted equity investments amounted to ₱1.04 billion as of March 31, 2020 and December 31, 2019, respectively (Note 11).

Provision for expected credit losses of trade receivables and contract assets (applicable beginning January 1, 2018)

The Group uses the simplified approach in calculating the ECL of its trade receivables and contract assets wherein the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The model is based on the Group's historical observed default rates and adjusted to include forward looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

As of March 31, 2020, and December 31, 2019, the aggregate carrying values of receivables and contract assets are disclosed in Notes 7 and 8 to the consolidated financial statements.

Estimation of allowance for doubtful accounts (applicable prior to January 1, 2018)
The Group maintains an allowance for impairment at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by management on the basis of factors that affect the collectability of the accounts. For education segment, the evaluation factors will include the number of days the receivables is outstanding, year level of students and historical experience. For other segments the evaluation of collectability considers the length of the Group's relationship with the customer, the customer's payment behavior and known market factors. The Group reviews the age and status of receivables, and identifies accounts that are to be provided with allowances on a continuous basis or those with existing allowances needing reversals.

Purchase price allocation in business combinations and goodwill
The Group's consolidated financial statements reflect the acquired entities (AEI and its subsidiaries prior to the merger) after the completion of the merger between IPO and AEI which is effective May 2, 2019. The Group accounts for the acquired business using the acquisition method, which requires extensive use of accounting judgments and estimates to allocate the purchase price to the fair market values of the acquiree's identifiable assets and liabilities and contingent liabilities, if any, at the acquisition date. Any excess in the purchase price over the fair market values of the net assets acquired is recorded as goodwill in the consolidated statement of financial position. Thus, the numerous judgments made in estimating the fair value to be assigned to the acquiree's assets and liabilities can materially affect the Group's financial position and performance.

The merger resulted in the recognition of student relationship, intellectual property rights and goodwill from the excess of the acquisition cost over the fair value of net assets acquired (Notes 14 and 16).

Valuation of land under revaluation basis
The Group's parcel of land are carried at revalued amounts. The valuations of these parcels of land were performed by SEC accredited independent appraisers and were determined using the market approach. Significant adjustments to inputs used in determining the fair value of land such as location and utility could affect the appraised value of the assets.

Land carried under revaluation basis amounted to ₱9.19 billion as of March 31, 2020 and December 31, 2019, respectively.

Impairment of nonfinancial assets
The Group assesses impairment on its property and equipment, intangible assets (other than goodwill and intellectual property rights) and noncurrent assets whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. The factors that the Group considers important which could trigger an impairment review include significant underperformance relative to expected historical or projected future operating results, significant changes in the manner of use of the acquired assets or the strategy for overall business, and significant negative industry or economic trends.

An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. The fair value is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

Impairment of goodwill and intellectual property rights are assessed at least on an annual basis. In assessing the impairment, the Group determines the recoverable amount using value in use with detailed disclosures made in Note 15. There is no impairment loss recognized on these assets in 2020, 2019 and 2018. As at March 31, 2020 and December 31, 2019, the carrying value of goodwill amounted to ₱484.83 million, respectively (Notes 14).

As to the Group's property and equipment, student relationship and noncurrent assets, impairment loss amounting to ₱21.00 million was recognized for the year ended December 31, 2019.

Estimation of retirement benefits
The determination of the obligation and cost of retirement benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, discount rates and salary increase rates were disclosed in Note 32. While the Group believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the pension and other retirement obligations.

Retirement assets amounted to ₱17.95 million and ₱18.29 million as of March 31, 2020 and December 31, 2019, respectively whereas retirement liabilities amounted to ₱468.02 million and ₱457.84 million as of March 31, 2020 and December 31, 2019, respectively.

Realizability of deferred tax assets
The Group reviews the carrying amounts of deferred income taxes at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Where there is no absolute assurance that each legal entity in the Group will generate sufficient taxable profit to allow all or part of its deferred tax assets to be utilized, deferred tax assets are not recognized.

Provisions and contingencies
The Group is currently involved in various proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the Group's defense in these matters and is based upon an analysis of potential results. The Management does not believe that these proceedings will have a material adverse effect on the Group's financial statement because management and its legal counsels believe that the Group has substantial legal and factual bases for its position. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (Note 33).

6. Cash and Cash Equivalents

This account consists of:

	Unaudited March 2020	Audited December 2019
Cash on hand and in banks	**₱2,312,220,691**	₱1,676,600,484
Short-term investments	**740,294,436**	1,010,068,590
	₱3,052,515,127	₱2,686,669,074

Cash in banks earn interest at the respective bank deposit rates. Short-term investments are made for varying periods of up to three months depending on the immediate cash requirements of the Group and earn annual interest at the respective short-term investment rates.

Interest income from cash in banks and short-term investments amounted to ₱5.56 million, ₱8.22 million and ₱3.14 million for the periods ended March 31, 2020, 2019 and 2018, respectively (Note 25).

7. Receivables

This account consists of:

	Unaudited March 2020	Audited December 2019
Trade		
Construction and infrastructure	**₱4,619,860,838**	₱4,132,893,711
Car dealership	**784,946,740**	708,660,520
Education	**637,499,591**	901,585,558
Other services	**129,520,643**	114,165,831
Other receivables		
Advances to officers and employees	**115,762,361**	103,349,773
Receivable from customers	**95,724,404**	35,174,526
Receivable from EEI RFI (Note 16)	**55,335,833**	55,000,000
Receivables from plant	**55,167,116**	56,369,572
Receivable from sale of investment properties	**22,504,006**	22,790,885
Dividends receivable	**8,453,283**	29,666,808
Rent receivable	**123,774**	626,549
Others	**435,846,984**	372,246,516
	6,960,745,573	6,532,530,249
Less allowance for impairment	**294,868,425**	286,043,524
	₱6,665,877,148	₱6,246,486,725

Trade receivables

The trade receivables are noninterest-bearing and collectible within one (1) year which consists of the following:

Receivable from construction and infrastructure

Receivables from construction and infrastructure mainly represent amounts arising from domestic construction contracts which are generally on a 30-day credit term. Prior to January 1, 2018, this account includes retention receivables which are recouped upon the lapse of defect and liability period and the receipt of customer certification that there are no defects on the constructed asset. After January 1, 2018, retention receivables to which the Group's right for consideration is conditioned on the lapse of the defect and liability period and the receipt of customer certification that there are no defects on the constructed asset are presented as part of the contract asset.

Receivables from car dealership
Receivables from car dealership represent amounts arising from the sale of car, parts and accessories and services collectible within 30 days.

Receivables from education
Receivables from education and information technology represent amounts arising from tuition and other fees generally collectible within 90 days and from computer and service sales collectible within 30 days.

Receivables from other services
Receivables from other services represent amounts arising from management and consultancy services provided by the Group generally collectible within 30 days.

No trade receivables were used as collaterals to secure obligations as of March 31, 2020 and December 31, 2019.

Other receivables
Advances to officers and employees are interest-bearing and repaid on a monthly basis through salary deductions.

Receivables from plant pertain to noninterest-bearing receivables from Honda Cars Philippines, Inc. and Isuzu Philippines Corporation, for promotional subsidy and fleet discounts. Receivables from plant are collectible within a year in the normal course of Group's business.

Receivable from EEI RFI pertains to the Group's sale of land to EEI RFI, a trustee of the Group's employee retirement fund in previous years. Both parties agreed the selling price will be repaid in installments and bear annual interest rate of 5%. In 2016, the Group and the Fund agreed to extend the term of the payment until April 30, 2021 (Note 22).

Receivable from customers
In 2017, certain trade receivables were reclassified as interest-bearing trade receivables after the Group and the customers agreed to extend the credit terms. These receivables bear interest of 5% per annum and will be repaid in five (5) years' time.

Details of the abovementioned receivables follow:

	Unaudited March 2020	Audited December 2019
Receivable from sale of investment properties		
Current portion	**₱22,504,006**	₱22,790,885
Noncurrent portion (Note 16)	**–**	–
Receivable from EEI RFI		
Current portion	**55,335,833**	55,000,000
Noncurrent portion (Note 16)	**23,000,000**	23,000,000
Interest-bearing trade receivables		
Current portion	**35,174,525**	35,174,525
Noncurrent portion (Note 16)	**9,184,151**	51,479,840

Receivable from sale of investment properties
On December 11, 2017, the Group sold a parcel of land located in Batangas for ₱466.7 million. Both parties agreed the selling price will be settled in eight (8) semi-annual installments and shall bear annual interest rate of 2%.

Receivables classified as "Others" consist of interest, commission, insurance and various receivables.

8. Contract Assets and Liabilities

Contract Assets
The Group presents contract receivable and retentions withheld by customer as contract assets as the Group's right for consideration is conditioned on the lapse of the defect and liability period and the receipt of customer certification that there are no defects on the constructed asset. These are reclassified as receivables upon the lapse of the defect and liability period and final customer acceptance.

The Group's contract assets amounted to ₱10.2 billion and ₱9.98 billion as of March 31, 2020and December 31, 2019, respectively. The increase in this account is largely caused by construction works already performed by the Group.

Details of the Group's contract assets as of March 31, 2020 and December 31, 2019 are shown below (Note 17).

	March 31, 2020		
	Current	**Noncurrent** (Note 17)	**Total**
Contract asset	**₱9,696,075,154**	**₱504,183,024**	**₱10,200,258,178**

	December 31, 2019		
	Current	Noncurrent (Note 17)	Total
Contract asset	₱9,483,493,604	₱493,848,199	₱9,977,341,803

Contract Liabilities
Contract liabilities mainly consist of down payments received in relation to construction contracts, unearned tuition fees and accounts payable to students that will be recognized as revenue in the future as the Group satisfies its performance obligations. Payables to students are advance collections from students to be applied to the next school year.

Details of the Group's contract liabilities as of March 31, 2020 are shown below.

	Construction and Infrastructure	Education	Total
Current	₱753,936,640	₱479,536,634	₱1,233,473,274
Non-current	1,518,367,819	–	1,518,367,819
	₱2,272,304,459	₱479,536,634	₱2,751,841,093

The increase in the contract liabilities from construction and infrastructure is largely caused by the deposits and payments from new projects where the related performance obligation has not yet been performed. The increase in contract liabilities from education and information is due mainly from the unearned tuition fees from new subsidiaries acquired due to the merger of IPO and AEI in 2019.

9. Inventories

This account consists of:

	Unaudited March 2020	Audited December 2019
Construction materials	**₱1,578,032,937**	₱1,309,202,556
Merchandise	**829,508,521**	812,826,521
Real estate:		
Land and land development	**151,994,687**	152,110,988
Subdivision lots and contracted units for sale	**45,789,824**	44,305,060
Raw lands	**43,121,391**	43,121,391
	240,905,902	239,537,439
Spare parts and supplies	**107,886,744**	108,306,374
	2,756,334,104	2,469,872,890
Less: Allowance for inventory obsolescence	**107,595,425**	107,595,425
	₱2,648,738,679	₱2,362,277,465

The Group recognizes inventory write-down whenever the NRV of the existing inventories is lower than its cost.

The total cost of goods sold recognized in the Group's statements of comprehensive income amounted to ₱1.30 million, ₱1.57 million and ₱1.83 million in 2020, 2019 and 2018 respectively (Notes 26 and 27).

The rollforward of allowance for inventory obsolescence is as follows:

	Unaudited March 2020	Audited December 2019
Balance at beginning of year	**₱107,595,425**	₱96,442,347
Provisions (Note 29)	–	21,533,760
Reversals (Note 29)	**–**	–
Write-off	–	(10,380,682)
Balances at end of year	**₱107,595,425**	₱107,595,425

The summary of the movement in real estate inventories is set out below:

	Unaudited March 2020	Audited December 2019
Balances at beginning of year	**₱239,537,439**	₱274,748,124
Construction/development costs incurred	**1,368,463**	25,703,794
Cost of real estate sales	**–**	(60,914,479)
Transfer to property and equipment (Note 13)	**–**	–
Balances at end of year	**₱240,905,902**	₱239,537,439

A parcel of land with lot size of 183,316 sqm located in Tanza, Cavite previously classified as real estate inventory was transferred to property and equipment as this is being used by the Group to store its construction materials as of March 31, 2020 and December 31, 2019.

No inventories were pledged as security to obligations as of March 31, 2020 and December 31, 2019.

10. Prepaid Expenses and Other Current Assets

This account consists of:

	Unaudited March 2020	Audited December 2019
Advances to suppliers and contractors	**₱959,118,902**	₱925,755,733
Creditable withholding taxes	**716,456,545**	561,513,235
Prepaid expenses	**186,940,109**	143,786,446
Miscellaneous deposits	**109,822,148**	108,700,012
Advances to officers and employees	**77,699,541**	51,264,303
Input value added tax (VAT)	**61,088,235**	29,585,878
Restricted cash investment	**27,286,066**	27,006,721
Restricted funds	**21,029,868**	21,029,868
Prepaid taxes	**20,054,880**	10,012,749
Unused office supplies	**8,557,300**	7,602,766
Others	**154,375,511**	101,506,527
	2,342,429,105	1,987,764,238
Less allowance for impairment	**4,910,038**	4,910,038
	₱2,337,519,067	₱1,982,854,200

Advances to suppliers and contractors represent down payment to subcontractors for the contract work to be performed and advance payment for the purchase of various construction materials and machineries and equipment items.

Creditable withholding taxes pertain to the tax withheld at source by the Group's customer and is creditable against the income tax liability.

Prepaid expenses mainly include prepayments for membership fees, subscriptions, rentals and insurance, among others.

Miscellaneous deposits mainly represent the Group's refundable rental, utilities and guarantee deposits on various machinery and equipment items.

11. Equity Investments at Fair value through Other Comprehensive Income (FVOCI)

This account consists of:

	Unaudited March 2020	Audited December 2019
Quoted equity investments	**₱87,211,031**	₱107,292,675
Unquoted equity investments	**1,040,481,131**	1,040,481,131
	₱1,127,692,162	₱1,147,773,806

Rollforward analysis of the account follow:

	Unaudited March 2020	Audited December 2019
Balance at beginning of year	**₱1,147,773,806**	₱974,709,294
Additions	**–**	79,849,592
Disposals	**–**	(17,481,928)
Fair value changes recognized in other comprehensive income	**(20,081,644)**	110,696,848
Balance at end of year	**₱1,127,692,162**	₱1,147,773,806

In 2019 and 2018, the Group invested additional ₱79.8 million and ₱22.4 million, respectively, in various quoted and unquoted equity instruments.

In May 2019, IPO sold it shares in PetroEnergy Resources Corporation for ₱17.5 million and the loss on disposal was recorded at ₱1.3 million.

Movements in the fair value reserve recognized in other comprehensive income are as follows:

	Unaudited March 2020	Audited December 2019
Attributable to equity holders of the parent:		
Balance at beginning of year	**₱311,094,152**	₱259,855,707
Income recognized in OCI	**(1,574,483)**	51,238,445
Balance at end of year	**309,519,669**	311,094,152
Non-controlling interests:		
Balance at beginning of year	**240,945,407**	202,090,420
Income recognized in OCI	**(250,292)**	38,854,987
Balance at end of year	**240,695,115**	240,945,407
	₱550,214,784	₱552,039,559

The Group elected to present the fair value changes of all its equity investments in other comprehensive income because it does not intend to hold these investments for trading.

The fair value of the Group's unquoted equity investments is either determined using the adjusted net asset approach wherein the assets are adjusted from cost to their fair value or using the discounted cash flow model. The valuation was performed by an independent SEC-accredited appraiser/third party professional services firm as of December 31, 2019.

Dividends earned from equity investments at FVOCI amounted to P0.3 and ₱12.0 million in 2020 and 2019, respectively. Dividends earned from AFS financial assets amounted to ₱0.2 million and ₱0.2 million in 2020 and 2019, respectively.

No equity investments at fair value through other comprehensive income (FVOCI) were pledged as security to obligations as of March 31, 2020 and December 31, 2019.

12. Investments in Associates and Joint Venture

The rollforward analysis of this account follows:

	Unaudited March 2020	Audited December 2019
Acquisition cost:		
Balances at beginning of year	**₱4,841,636,714**	₱4,622,763,779
Additions	**–**	261,944,096
Reclassification	**–**	(43,071,161)
Balance at end of year	**4,841,636,714**	4,841,636,714
Accumulated impairment loss	**74,536,609**	74,536,609
Accumulated equity in net earnings:		
Balance at beginning of year	**1,262,916,499**	742,132,503
Equity in net earnings	**274,205,770**	727,820,627
Reclassification	**(230,398,999)**	(14,936,750)
Dividends received	**(4,319,988)**	(192,099,881)
Balance at end of year	**1,302,403,282**	1,262,916,499
Subtotal	**6,069,503,387**	6,030,016,604
Share in other comprehensive income of an associate	**6,057,996**	55,887,540
Cumulative translation adjustment	**133,174,857**	107,147,212
	₱6,208,736,240	₱6,193,051,356

As of March 31, 2020 and December 31, 2019, no investments in associates were pledged as security to obligations.

13. Property and Equipment

Property and equipment at revalued amount
Movements in the revalued land are as follows:

	Unaudited March 2020	Audited December 2019
Balance at beginning of year	**₱9,185,924,384**	₱7,023,425,494
Additions:		
Acquisition	**–**	2,038,084,517
Appraisal increase	**–**	124,414,373
Capitalizable costs	**5,001,098**	–
Balance at end of year	**₱9,190,925,482**	₱9,185,924,384

Land at revalued amounts consists of owner-occupied property wherein the car dealership showroom, school buildings, and other facilities are located.

The Parent Company owns a parcel of 7,304 sqm land located in Quezon Avenue, Quezon City wherein the car dealership showroom was erected.

Property and equipment at cost

The rollforward analysis of this account follows:

	Unaudited March 2020	Audited December 2019
At Cost		
Land, Buildings and Improvements	**₱5,971,074,763**	₱5,960,522,318
Machinery, Tools and Construction Equipment	**5,502,029,793**	6,252,252,633
Furniture, Fixtures and Office Equipment	**1,316,632,913**	1,438,748,721
Transportation and Service Equipment	**2,914,321,076**	2,893,989,150
	15,704,058,545	16,545,512,822
Less: Accumulated Depreciation	**(8,497,204,111)**	(8,614,354,793)
	7,206,854,434	7,931,158,029
Construction in Progress	**900,696,574**	877,759,524
Net book value at Cost	**₱8,107,551,008**	₱8,808,917,553

Construction in progress mainly includes the general cost of construction of MCI's school building in Makati City and other direct cost.

14. **Goodwill**

The carrying amount of goodwill allocated to each of the CGUs follows:

	Unaudited March 2020	Audited December 2019
EEI Corporation and Subsidiaries	**₱300,859,305**	₱300,859,305
IPO	**32,644,808**	32,644,808
Malayan Education System, Inc. (MESI) (formerly Malayan Colleges, Inc.)	**137,853,346**	137,853,346
Business combination of IPO and AEI	**13,472,260**	13,472,260
	₱484,829,719	₱484,829,719

Assets acquired from AEI includes investments in the following subsidiaries:

Subsidiaries	Ownership Interest
Affordable Private Education Center, Inc. doing business under the name of APEC Schools (APEC)	100.00%
National Teachers College doing business under the name/s and style/s of The National Teachers College (NTC)	99.79%
University of Nueva Caceres (UNC)	58.63%
AC College of Enterprise and Technology, Inc. (ACCET)	100.00%
LINC Institute, Inc. Doing Business under the Name and Style of LINC Academy (LINC)	100.00%

The goodwill arising from the merger between IPO and AEI on May 2, 2019 amounted to ₱13.47 million.

15. **Investment Properties**

The rollforward analysis of this account follows:

	Unaudited March 2020		
	Land Held for Capital Appreciation	**Condominium Units and Parking Slots**	**Total**
Cost			
Balances at beginning of year	**₱17,211,238**	**₱4,392,917**	**₱21,604,155**
Disposals	**(537,000)**	**–**	**(537,000)**
Balances at end of year	**16,674,238**	**4,392,917**	**21,067,155**
Accumulated Depreciation			
Balances at beginning of year	**–**	**3,915,137**	**3,915,137**
Depreciation (Note 29)	**–**	**–**	**–**
Disposals	**–**	**–**	**–**
Balances at end of year	**–**	**3,915,137**	**3,915,137**
Net Book Value	**₱16,674,238**	**₱477,780**	**₱17,152,018**

	Audited December 2019		
	Land Held for Capital Appreciation	Condominium Units and Parking Slots	Total
Cost			
Balances at beginning of year	₱17,399,238	₱4,742,917	₱22,142,155
Disposals	(188,000)	(350,000)	(538,000)
Balances at end of year	17,211,238	4,392,917	21,604,155
Accumulated Depreciation			
Balances at beginning of year	–	3,985,137	3,985,137
Depreciation (Note 29)	–	17,500	17,500
Disposals	–	(87,500)	(87,500)
Balances at end of year	–	3,915,137	3,915,137
Net Book Value	₱17,211,238	₱477,780	₱17,689,018

Investment properties represent various parcels of land, condominium units and parking slots held for capital appreciation and rental, respectively.

None of the investment properties were pledged as a security to obligations as of March 31, 2020 and December 31, 2019.

16. Other Noncurrent Assets

This account consists of:

	Unaudited March 2020	Audited December 2019
Intellectual property rights (Note 16)	**₱523,103,000**	₱523,103,000
Contract asset- net of current portion (Note 8)	**504,183,024**	493,848,199
Deferred input VAT	**153,024,455**	181,103,198
Student relationship (Note 16)	**95,557,721**	101,135,343
Miscellaneous deposit	**27,489,054**	27,489,054
Receivable from EEI-RFI - net of current portion (Notes 7)	**23,000,000**	23,000,000
Computer software	**16,759,045**	15,872,318
Interest-bearing trade receivables- net of current portion (Note 7)	**9,184,151**	51,479,840
Deposit for future subscription of shares of stock	**450,000**	450,000
Others	**73,759,144**	88,043,443
	₱1,426,509,594	₱1,505,524,395

Intellectual property rights and student relationship are the intangible assets acquired in May 2019 through the merger between IPO and AC Education, Inc. (AEI), the wholly owned education arm of Ayala Corporation (Note 15).

Miscellaneous deposits include rental and security deposits.

Rollforward of computer software follows:

	Unaudited March 2020	Audited December 2019
Cost		
Balance at the beginning of the year	**₱139,735,882**	₱131,540,217
Additions	**2,849,961**	8,195,665
Balance at the end of the year	**142,585,843**	139,735,882
Accumulated Amortization		
Balance at the beginning of the year	**123,863,564**	117,241,991
Amortization (Note 30)	**1,963,234**	6,621,573
Balance at the end of the year	**125,826,798**	123,863,564
Net Book Value	**₱16,759,045**	₱15,872,318

17. **Accounts Payable and Accrued Expenses**

This account consists of:

	Unaudited March 2020	Audited December 2019
Accounts payable	**₱7,684,141,975**	₱7,215,918,280
Deferred output taxes	**468,278,824**	470,071,993
Accrued expenses	**283,617,471**	334,851,087
Provisions (Note 35)	**154,307,388**	154,307,388
Withholding taxes and others	**81,000,494**	82,850,499
Output tax payable	**205,197,231**	69,703,441
Subscriptions payable	**13,125,000**	13,125,000
Chattel mortgage payable	**12,353,926**	12,906,807
SSS and other contributions	**16,883,586**	10,937,385
Payable to Land Transportation Office	**5,091,323**	4,427,438
Deferred income	**2,086,712**	2,348,003
Dividends payable	**52,192,983**	378,640
Others	**45,227,685**	50,086,077
	₱9,023,504,598	₱8,421,912,038

Accounts payable pertains to the Group's obligation to local suppliers. The normal trade credit terms of accounts payable and accrued expenses of the Group are expected to be settled within the next twelve (12) months.

Accrued expenses consist of:

	Unaudited March 2020	Audited December 2019
Accrued salaries and wages	**₱125,811,998**	₱99,784,432
Accrued insurance	**26,391,630**	24,387,237
Accrued interest	**26,713,917**	25,193,482
Accrued professional fees	**25,244,150**	15,210,248
Accrued security services	**21,266,509**	10,673,278
Accrued utilities	**6,129,717**	8,453,023
Others	**52,059,550**	151,149,387
	₱283,617,471	₱334,851,087

Other accrued expenses mainly consist of accrual for professional fees, outside services, utilities and other expenses that are expected to be settled within one year.

Provisions were provided for claims by third parties in the ordinary course of business. As allowed by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, only a general description is provided as the disclosure of additional details beyond the present disclosures may prejudice the Group's position and negotiation strategies with respect to these matters.

Other noncurrent liabilities consist of:

	Unaudited March 2020	Audited December 2019
Retention payable - net of current portion	**₱210,282,764**	₱210,282,764
Others	**58,382,880**	58,382,880
	₱268,665,644	₱268,665,644

18. **Loans Payable**

This account consists of:

	Unaudited March 2020	Audited December 2019
Unsecured bank loans	**₱9,190,000,000**	₱8,085,000,000
Secured bank loans	**327,800,000**	308,800,000
	₱9,517,800,000	₱8,393,800,000

Unsecured
Unsecured bank loans are obtained from local banks and related party financial institutions with annual interest rates ranging from 3.86% to 5.25% and 3.40% to 6.25% in 2020 and 2019, respectively.

Movements in loans payable during the periods ended are as follows:

	Unaudited March 2020	Audited December 2019
Beginning balance	**₱8,393,800,000**	₱10,519,000,000
Availments	**2,692,000,000**	15,760,000,000
Payments	**(1,593,000,000)**	(17,885,200,000)
Ending balance	**₱9,492,800,000**	₱8,393,800,000

19. **Long-term Debt**

This pertains to the long-term debt of the following companies:

	Unaudited March 2020	Audited December 2019
Parent Company		
Peso-denominated five (5) year term loan, payable in twenty (20) equal quarterly installments starting March 2016 with interest of 5.11% per annum	**₱75,000,000**	₱100,000,000
EEI		
Fixed-rate corporate promissory notes with interest rate of 4.80% per annum	**2,142,857,144**	2,446,428,571
EEI Power		
Peso-denominated seven (7) year term loan, payable in equal quarterly installments and will mature on August 27, 2022 with interest of 4.80% per annum.	**178,571,428**	196,428,571
BIOTECH JP		
Yen-denominated five (5) year, 4.5-year term and 6 months term loan, with interest rate of 0.05% per annum, 0.30% per annum and 2.45% per annum, respectively	**142,323,123**	78,928,577
IPO		
Ten (10) year unsecured term loan, payable in 28 quarterly payments starting May 2022	**380,000,000**	380,000,000
Ten (10) year secured term loan, payable in 20 equal quarterly installments to start at the end of 21st quarter from the initial drawdown	**1,490,496,258**	1,489,903,407
	4,409,247,953	4,691,689,126
Less current portion of long-term debt	**1,360,714,285**	1,385,714,285
	₱3,048,533,668	₱3,305,974,841

Movements in the account follow:

	Unaudited March 2020	Audited December 2019
Balance at beginning of year	**₱4,691,689,126**	₱2,795,238,096
Availments	**63,987,398**	2,862,403,404
Payments	**(346,428,571)**	(965,952,374)
Balance at end of year	**4,409,247,953**	4,691,689,126
Less current portion	**(1,360,714,285)**	(1,385,714,285)
	₱3,048,533,668	₱3,305,974,841

The aforementioned loans require the Group to maintain certain financial ratios such as debt to equity ratio, current ratio and debt service coverage ratio. As of March 31, 2020, and December 31, 2019, the Group was in compliance with the loan covenants.

20. Retained Earnings

On December 31, 2019 and 2018, the Company's BOD approved additional appropriation of retained earnings amounting to ₱400 million and ₱2,100 million, respectively, for planned investments and business expansion that the Parent Company intends to carry out for 2-3 years.

Retained earnings include ₱2,524.4 million as of March 31, 2020 and December 31, 2019, respectively, representing treasury shares, appropriated retained earnings and deferred tax assets that are not available for dividend declaration. After reconciling items, the retained earnings of the Parent Company that are available for dividend declaration amounted to ₱1,328.0 million and ₱1,305.4 million.

Under the Tax Code, publicly-held Corporations are allowed to accumulate retained earnings in excess of capital stock and are exempt from improperly accumulated earnings tax.

Restrictions
The Group's retained earnings include accumulated earnings of subsidiaries, associate and joint venture amounting to ₱6,474.2 million and ₱6,305.9 million as of March 31, 2020 and December 31, 2019, respectively, not declared as dividends to the Group. Accordingly, these are not available for dividend declaration.

As of March 31, 2020 and December 31, 2019, Group's retained earnings is restricted to payment of dividends to the extent of the cost of shares held in treasury and deferred tax asset amounting to ₱24.4 million and ₱16.1 million, respectively.

21. Capital Stock

The authorized preferred stock is 2,500,000,000 shares at ₱0.40 par value. A reconciliation of the number of preferred shares outstanding as at March 31, 2020, December 31, 2019 and 2018 follows:

	2020		2019		2018	
	Amount	**Shares**	Amount	Shares	Amount	Shares
Beginning of the year	**₱6,710,402**	**16,776,001**	247,414,156	618,535,387	₱253,758,109	634,395,272
Redemption of preferred stock	**(6,710,402)**	**(16,776,001)**			(6,343,953)	(15,859,885)
Conversion of preferred stock to common stock	–	–	(240,703,754)	(601,759,386)	–	–
	₱–	–	₱6,710,402	16,776,001	₱247,414,156	618,535,387

The authorized common stock is 1,250,000,000 shares at ₱1.50 par value. A reconciliation of the number of common shares outstanding as at March 31, 2020 and December 31, 2019 and 2018 follows:

	2020		2019		2018	
	Amount	**Shares**	Amount	Shares	Amount	Shares
Beginning of the year	**₱1,165,147,926**	**776,765,281**	₱924,444,172	616,296,114	₱924,444,172	616,296,114
Treasury stock	**(2,607,600)**	**(300,000)**	(2,607,600)	(300,000)	(2,607,600)	(300,000)
Conversion of preferred stock	–	–	240,703,754	160,469,167	–	–
	₱1,162,540,326	**776,465,281**	₱1,162,540,326	776,465,281	₱921,836,572	615,996,114

On May 24, 2013, the Parent Company repurchased 300,000 shares held as treasury stock at ₱8.69 per share for ₱2.61 million.

Details of the capital redemption and conversion follow:

Date of Redemption	Amount		Record Date	Payment Date
March 30, 2020	₱6,710,402	₱0.40	April 27, 2020	May 20, 2020
April 6, 2018	₱6,343,953	₱0.40	May 3, 2018	May 30, 2018
March 31, 2017	₱7,020,070	₱0.40	April 28, 2017	May 21, 2017
July 21, 2017	6,844,569	0.40	August 18, 2017	September 12, 2017
September 29, 2017	6,673,454	0.40	October 27, 2017	November 24, 2017
December 8, 2017	6,506,618	0.40	January 4, 2018	January 30, 2018
	₱27,044,711			

The Parent Company's preferred shares have the following features:

a) Entitled to dividends at the rate of average 91-day T-Bill plus two percent;
b) Fully participating as to distribution of dividends;
    a. Convertible into common shares at the option of the holders thereof from the date of issue at the conversion rate of 3 and 3/4 preferred shares to 1 common share for a price of ₱1.50 per common share subject to adjustments;
c) Redeemable at any one time or from time to time, at the option of the BOD of the Parent Company, subject to availability of funds; and
d) With voting rights and preferences as to assets upon dissolution of the Parent Company over common shareholders.

Below is the summary of the outstanding number of shares and holders of security as at March 31, 2020:

Year	Number of shares registered	Issue/offer price	Date of approval	Number of holders of securities
Preferred shares:				
January 31, 2018	634,395,272			48
Movement	(15,859,885)	0.40	April 6, 2018	
December 31, 2018	618,535,387			48
Movement	(601,759,386)			
December 31, 2019	16,776,001			42
Movement	16,776,001			
March 31, 2020	–			
Common Shares:				
January 31, 2018	615,996,114			394
No Movement	–	–		
December 31, 2018	615,996,114			386
Movement	160,469,167			
December 31, 2019	776,465,281			384
Movement	–			
March 31, 2020	**776,465,281**			**384**

SEC approved the registration of the Parent Company's authorized capital stock before its listing date with the PSE, which was on July 2, 1962. The actual number of shares initially listed were 584,085 at an offer price of ₱10.0 per share. Total number of preferred and common shareholders was 42 and 384, respectively, as of March 31, 2020 and as of December 31, 2019, respectively.

22. Cash Dividends

Cash Dividends

The BOD declared cash dividends in 2020, 2019 and 2018 as follows:

		Amount per share			
Date of BOD Approval	Amount	Preferred Shares	Common Shares	Record Date	Payment Date
March 30, 2020	₱86,529	₱0.00515	₱–	April 27, 2020	May 20, 2020
April 5, 2019	₱4,688,498	₱0.00758	₱–	May 2, 2019	May 28, 2019
July 19, 2019	4,459,640	0.00721	–	August 15, 2019	September 10, 2019
July 19, 2019	50,758,965	0.01733	0.065	August 15, 2019	September 10, 2019
October 4, 2019	3,349,141	0.005415	–	October 31,2019	November 20, 2019
December 6, 2019	85,860	0.005118	–	January 2, 2020	January 28, 2020
	₱63,342,105				
April 6, 2018	₱2,949,050	₱0.005	₱–	May 3, 2018	May 29, 2018
July 20, 2018	3,342,256	0.005	–	August 16, 2018	September 11, 2018
July 20, 2018	50,758,966	0.017	0.065	August 16, 2018	September 11, 2018
September 28, 2018	3,273,289	0.005	–	October 25, 2018	November 21, 2018
December 18, 2018	4,449,125	0.007	–	January 11, 2019	February 6, 2019
	₱64,772,686				

23. Earnings Per Share

Basic and diluted earnings per share amounts attributable to equity holders of the Group are computed as follows:

Unaudited basic earnings per share

	January to March 31		
	2020	2019	2018
Net income attributable to equity holders of parent company	**₱232,243,632**	₱391,123,303	₱324,474,680
Less dividends attributable to preferred shares (Note 21)	**86,529**	–	–
Net income applicable to common shares	**232,157,103**	391,123,303	324,474,680
Divided by the weighted average number of common shares	**776,465,281**	615,996,114	615,996,114
Basic earnings per share	**₱0.2990**	₱0.6349	₱0.5267

Unaudited diluted earnings per share

	January to March 31		
	2020	2019	2018
Net income applicable to common shares	**₱232,157,103**	₱391,123,303	₱324,474,680
Add dividends attributable to preferred shares	**86,529**	–	–
Net income applicable to common shares for diluted earnings per share	**232,243,632**	391,123,303	324,474,680
Weighted average number of common shares	**776,465,281**	615,996,114	615,996,114
Dilutive shares arising from convertible preference shares	–	164,942,770	169,172,073
Weighted average number of common shares for diluted earnings per share	**776,465,281**	780,938,884	785,168,187
Diluted earnings per share	**₱0.2991**	₱0.5008	₱0.4133

24. Revenue from Contracts with Customers

Set out below is the disaggregation of the Group's revenue from contracts with customers for the quarter ended March 31, 2020, 2019 and 2018:

	January to March 31		
	2020	2019	2018
Revenue from construction contracts	**₱4,892,631,019**	₱5,112,609,172	3,904,852,760
Sales of goods	**1,378,558,299**	1,714,044,684	1,945,425,875
Sales of services	**613,147,183**	643,242,429	584,554,052
Schools and related operations	**957,349,943**	538,752,892	470,197,047
	₱7,841,686,444	₱8,008,649,177	₱6,905,029,734

25. Other Income

This account consists of:

	January to March 31		
	2020	2019	2018
Interest income	**₱9,618,667**	₱16,267,731	₱12,250,366
Rental income	**5,188,289**	7,291,505	4,150,891
Gain on sale from property and equipment	**1,698,979**	1,393,556	2,736,505
Dividend income	**467,504**	12,234,140	650,000
Insurance income	–	–	5,058,168
Tax refund/discount	–	631,436	58,732
Finance income	–	–	8,052,956
Income from reversal of payables	–	–	1,077,340
Administrative fee	–	–	1,511,336
Foreign exchange gain (loss)	**1,135,708**	(14,673,008)	42,574,888
Miscellaneous	**7,320,287**	6,513,943	12,453,095
	₱25,429,434	₱29,659,303	₱90,574,277

Administrative fee pertains to fees received by the Parent Company as compensation for the services they performed as a third party for the processing of bills of PLDT, SMART and regular purchases of its affiliates in the Yuchengco Group of Companies (YGC). In 2018, administrative fees were recognized under revenue from contracts with customers.

Interest income consists of income from:

	January to March 31		
	2020	2019	2018
Cash in banks and short-term investments	**₱5,564,859**	₱8,215,695	₱3,143,398
Receivable from related parties	**2,712,311**	1,754,127	385,440
Installment contract receivable	**1,224,726**	4,734,836	5,422,652
Receivable from EEI-RFI	–	1,484,375	1,986,607
Others	**116,771**	78,698	1,312,359
	₱9,618,667	₱12,250,366	₱24,014,332

Miscellaneous include income from sale of sludge and used oil and rebate from purchase of fuel, among others.

26. Costs of Sales and Services

This account consists of:

	January to March 31		
	2020	2019	2018
Cost of services (Note 28)			
Cost of construction contracts	**₱4,518,477,564**	₱4,436,843,370	₱3,458,356,559
Cost of manpower and other services	**402,508,369**	428,244,064	387,475,066
	4,920,985,933	4,865,087,434	3,845,831,625
Cost of goods sold			
Cost of merchandise sold (Note 27)	**1,298,891,505**	1,563,018,859	1,827,736,544
Cost of real estate sold	**1,716,396**	4,700,143	4,103,033
	1,300,607,901	1,567,719,002	1,831,839,577
Cost of school and related operations (Note 27)	**578,923,910**	331,327,785	302,653,531
	₱6,800,517,744	₱6,764,134,221	₱5,980,324,733

27. Costs of Merchandise Sold

This account consists of:

	January to March 31		
	2020	2019	2018
Inventory, beginning	**₱2,450,443,330**	938,860,359	₱809,783,825
Purchases	**1,253,702,171**	3,066,489,416	1,949,251,983
Total goods available for sale	**3,704,145,501**	4,005,349,775	2,759,035,808
Less inventory end	**2,407,832,777**	2,450,443,330	938,860,359
Cost of inventories sold	**1,296,312,724**	1,554,906,445	1,820,175,449
Personnel expenses	**1,653,985**	5,171,961	4,813,150
Others	**924,796**	2,940,453	2,747,945
	₱1,298,891,505	₱1,563,018,859	₱1,827,736,544

28. Costs of Services

This account consists of:

	January to March 31		
	2020	2019	2018
Cost of construction contracts			
Labor	**₱1,407,010,574**	₱2,105,250,535	₱1,275,442,091
Materials	**1,674,056,989**	1,233,878,467	538,092,293
Equipment costs and others	**1,325,270,785**	1,006,059,635	1,518,269,221
Depreciation and amortization	**112,139,216**	91,654,733	126,552,954
	4,518,477,564	4,436,843,370	3,458,356,559
Cost of manpower and other services			
Personnel expenses	**181,888,247**	188,728,273	186,513,626
Parts and accessories	**91,393,564**	82,238,310	71,450,239
Materials	**74,184,070**	113,707,206	107,472,872
Depreciation and amortization	**2,220,265**	120,654	179,643
Others	**52,822,223**	43,449,621	21,858,686
	402,508,369	428,244,064	387,475,066
	₱4,920,985,933	₱4,865,087,434	₱3,845,831,625

29. Tuition and other fees

This amount consists of:

	January to March 31		
	2020	2019	2018
Personnel expenses	**291,266,105**	₱158,489,666	₱148,429,458
Depreciation and amortization	**92,852,600**	50,477,676	49,435,516
Management and other professional fees	**47,842,414**	30,476,210	27,141,405
Student-related expenses	**35,781,051**	23,149,118	22,979,733
Utilities	**28,402,526**	21,672,563	19,143,394
Periodicals	**17,455,310**	5,856,365	4,169,070
IT expense - software license	**12,266,724**	9,839,390	7,964,233
Tools and library books	**10,825,123**	9,196,018	7,049,196
Repairs and maintenance	**7,130,565**	4,115,537	3,694,595
Taxes and licenses	**5,804,183**	774,326	492,957
Office supplies	**3,121,300**	1,880,308	1,764,382
Accreditation cost	**3,037,095**	1,327,049	2,396,617
Laboratory supplies	**3,021,445**	861,915	615,638
Research and development fund	**2,560,844**	4,448,674	1,450,090
Insurance	**2,261,647**	2,064,906	1,291,398
Advertising	**2,111,645**	3,579,378	1,708,889
Seminar	**1,605,479**	2,010,153	2,136,895
Transportation and travel	**570,190**	335,715	203,022
Entertainment, amusement and recreation	**481,288**	320,097	138,841
Rent	**(159,481)**	54,850	38,850
Miscellaneous	**10,685,857**	397,871	409,352
	₱578,923,910	₱331,327,785	₱302,653,531

30. General and Administrative Expenses

This account consists of:

	January to March 31		
	2020	2019	2018
Personnel expenses	**₱328,438,776**	₱250,361,744	₱250,617,389
Depreciation and amortization	**111,851,495**	66,998,331	49,137,799
Taxes and licenses	**56,485,936**	56,717,486	41,166,705
Advertising and promotions	**40,905,657**	29,175,159	20,397,582
Rent, light and water	**30,954,563**	42,354,898	59,744,947
Transportation and travel	**25,223,787**	20,634,714	21,382,503
Repairs and maintenance	**17,859,357**	12,788,009	6,910,146
Securities and utilities	**16,849,549**	13,764,236	13,321,023
Professional fees	**16,821,051**	14,728,008	16,930,633
Seminars	**15,478,250**	3,827,366	767,786
Entertainment, amusement and recreation	**13,372,386**	11,533,516	11,237,080
Provision for probable losses	**12,660,205**	(19,685,606)	313,343
Management and other fees	**12,216,742**	9,203,404	8,652,923
Insurance	**6,846,785**	5,464,935	3,327,213
Office expenses	**5,425,060**	4,747,857	5,150,803
Commissions	**5,378,515**	4,811,667	7,042,743
Direct expenses	**4,937,911**	9,172,793	7,101,693
Donations and contributions	**30,000**	–	350,073
Accreditation cost	**–**	–	10,000
Provision (recovery) for inventory obsolescence	**–**	–	(800,000)
Miscellaneous	**42,367,575**	33,906,255	38,204,839
	₱764,103,600	₱570,504,772	₱560,967,223

Miscellaneous expense includes dues and subscriptions, periodicals, training and seminar, bank charges, legal and notarial fees and other contracted services.

31. Depreciation and amortization

This account consists of:

	January to March 31		
	2020	2019	2018
Cost of construction contracts (Note 28)	**₱112,139,216**	₱91,654,733	₱126,552,954
General and administrative expenses (Note 30)	**111,851,495**	66,998,331	49,137,795
Cost of school and related operations (Note 29)	**92,852,600**	50,477,676	49,435,516
Cost of manpower and other services (Note 28)	**2,220,265**	120,654	1,940,470
	₱319,063,576	₱209,251,394	₱227,066,735

32. **Interest and Finance Charges**

This account consists of:

	January to March 31		
	2020	2019	2018
Loans payable	**₱83,896,149**	₱162,657,610	₱53,968,294
Long-term debt	**50,212,669**	13,889,550	27,495,508
Interest on lease liabilities	**16,949,254**	11,125,746	–
Advances to affiliates and other finance charges	**3,947,821**	1,114,690	681,205
	₱155,005,893	₱188,787,596	₱82,145,007

33. **Contingencies and commitments**

Provisions and Contingencies

a. The Group is involved in certain claims arising from the ordinary conduct of business which are either pending decision by the courts or are being contested, the outcome of which are not presently determinable. The estimate of the probable costs for the resolution of these claims has been developed in consultation with external counsels handling the defense in these matters and is based upon an analysis of potential results. The ultimate disposition of these matters cannot be determined with certainty. The Group will exhaust all legal remedies available to it in defending itself in these claims and proceedings.

   The disclosure of additional details beyond the present disclosure may prejudice the Group's position and negotiation strategies with respect to these matters. Thus, as allowed under paragraph 92 of PAS 37, Provisions, Contingent Liabilities and Contingent Assets, only a general description is provided.

b. Prior to 2018, the Group's provisions include the Group's recognized payable associated with the Faculty Associations of Mapua Institute of Technology (FAMIT) reranking case. This case involves the faculty ranking and evaluation instrument that was part of the 2001 Collective Bargaining Agreement negotiations with the FAMIT. The Supreme Court reversed an earlier Court of Appeals decision in favor of management. An entry of judgment dated March 13, 2008 was made in the Supreme Court Book of Entries of Judgments, making the decision final and executory. A Memorandum of Agreement was entered into by management with FAMIT before the Voluntary Arbitrators wherein the parties agreed to continue the process of faculty ranking. The evaluation process was completed in December 2008.

   On January 22, 2009, MESI and FAMIT entered into a Compromise Agreement regarding the payment of the amounts due to the permanent faculty members of MESI in relation to the faculty reranking case.

   As at December 31, 2018, total accumulated payments to faculty members amounted to ₱230.78 million. Management assessed that the liability already prescribed after applying the 10-year prescription period which ended in March 2018 (Note 17).

34. **Noncontrolling Interest**

Noncontrolling interest in consolidated subsidiaries represents shareholdings in subsidiaries not held by the Group.

Dividends paid to noncontrolling interest in consolidated subsidiaries amounted to ₱37.96 million, ₱14.75 million and ₱16.05 million as at March 31, 2020, 2019 and 2018, respectively.

Material Partly-Owned Subsidiaries
In May 2019, the Parent Company sold the 281,642 shares of Malayan Education Systems, Inc. (MESI) to IPO, which represents 7% ownership in MESI. With this acquisition, MESI became 100% indirectly-owned subsidiary of the Parent Company through IPO. Subsequently, IPO issued 295,329,976 common shares from its unissued capital stock to AC, the parent company of AEI, in exchange for the merger of IPO and AEI, with IPO being the surviving corporation. Upon merger, the Parent Compay's ownership interest over IPO was reduced from 67.34% to 48.18%. The non-controlling interest increased from 32.66% to 51.82% or an increase of ₱2.52 billion.

In November 2019, the Parent Company purchased additional 3,000,000 EEI shares for ₱40.0 million or 10.32 per share resulting to an increase in ownership interest from 54.36% to 54.65%. The non-controlling interest decreased from 45.64% to 45.35% or a decrease of ₱40.38 million.

In March 2019, the Parent Company purchased additional 90,000 shares of LFPSI for ₱25.0 million resulting to an increase in direct ownership from 37.50% to 50.00%. The Parent Company's effective interest including its indirect ownership through MMPC is 63.00% in 2019. As a result, Parent Company has obtained control over LFPSI and started accounted for the investee as a subsidiary using consolidation method under PFRS 10. The non-controlling interest in 2019 is 27.00% or ₱38.45 million.

In July 2019, the Parent Company sold its 50% shares in ZIFC to various individuals amounting to ₱6.8 million resulting to a loss of ownership interest from 50% to 0%. The non-controlling interest disposed in 2019 is ₱12.10 million.

The Group recognized equity reserve from the changes in ownership without loss of control amounting to ₱1,821.7 million. This was included in "Equity reserve" representing the excess consideration paid for the carrying amount of the non-controlling interest.

35. **Other Matters**

a. In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an enhanced community quarantine throughout the island of Luzon until April 12, 2020, which was subsequently extended to May 31, 2020. These measures have caused disruptions to businesses and economic activities, and its impact on businesses continue to evolve.

Risks and Impacts of COVID-19

The Group, in cooperation with the Yuchengco Group of Companies Business Continuity Management - Disaster Recovery Management ("YGC BCM-DRM) Council have taken the necessary precautionary measures to mitigate the risks that may cause disruptions to its various businesses.

1. Risk to the health and safety of employees, clients, suppliers, and communities. House of Investments and its subsidiaries have adopted the Department of Health guidelines and regularly give advisories on COVID-19 precautionary measures to ensure compliance with the Inter-Agency directives on Community Quarantine. The Group has also adopted its own protocols, including, but not limited to regular and frequent disinfection of buildings and office premises, temperature checks at all entry points and restricting entry of visitors to office premises. To further minimize the risk of person-to-person transmission, the Group has limited the assembly of people by conducting meetings via video- and/or tele-conferencing. The Group also implemented a combination of Four-day Work Week and Work-from-Home arrangements while ensuring that service interruptions to its clients are minimized.

2. Disrupted business operations. The Group is compliant with national and local ordinances. To ensure minimal service interruptions and that its operations are not hampered, its various businesses have identified and designated essential and non-essential employees and wherever appropriate, have setup skeletal workforce.

   Despite the suspension of classes, disruptions on the academic outcomes of students were minimized as the Group's schools utilized alternative means to continue course work, e.g. on-line classes, coursework online, and independent projectized learning, among others. All these blended learning initiatives using multiple e-learning and course monitoring platforms allowed the students to fulfill their course requirements to comply with CHED or DepEd academic requirements amid the prolonged suspension of classes.

   The Group's Property Management team enhanced their services being at the forefront of the crisis management operations. The team is working hand-in-hand with the YGC BCM-BRM Council on the Group's group-wide risk mitigation initiatives.

4. Disrupted supply chain management. The Group, its construction business in particular, is conducting assessments on all resources expected to come in and those expected to be ordered, particularly on the supply of resources coming from infected areas while taking into consideration the community quarantine declared in Metro Manila. In coordination with their respective planning groups, each business unit is working on making adjustments to minimize the impact of such disruption. This includes focusing on activities that have no issues with the supply of resources and looking for alternative suppliers from "virus-free" areas.

36. **Operating Segment Information**

For management purposes, the Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

Segment financial information is reported on the basis that it is used internally for evaluating segment performance and allocating resources to segments.
The Group derives its revenues from the following reportable segments:

Construction and Infrastructure - mainly consists of revenues from EEI Corporation and subsidiaries as a general contractor and trader of construction equipment and parts. The subsidiaries of EEI are mainly involved in the provision for manpower services, construction, trading of equipment, power generation, steel fabrication, real estate and others.

Property Services - represents property and project management services of the Group.

Education - primarily consists of revenues from iPeople and subsidiaries (including MCI) in education.

Car Dealership - represents automotive dealerships of the Group.

Other Services - represent support services which cannot be directly identified with any of the reportable segments mentioned above. These include sale of pharmaceutical products, trading of consumer goods and rendering various services to the consumers.

Segment assets and liabilities exclude deferred income tax assets and liabilities. Inter-segment income arises from transactions that were made on terms equivalent to those that prevail in an arm's-length transaction.

Management monitors construction revenue and segment net income for the purpose of making decisions about resource allocation. Segment performance is evaluated based on net income and construction revenue.

Segment reporting is consistent in all periods presented as there are no changes in the structure of the Group's internal organization that will cause the composition of its reportable segment to change.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

House of Investments Inc and Subsidiaries
Unaudited Operating Segment
For the Quarters Ended March 31, 2020 and 2019 and December 31, 2018

	Construction and Infrastructure		Car Dealership		Education		Property Services		Others		Eliminations		Consolidated	
	2020	2019	**2010**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Revenues	**5,388,958,000**	5,619,089,236	**1,528,209,164**	1,851,876,875	**957,349,943**	538,752,892	**68,658,758**	59,331,275	**92,982,036**	58,370,061	**(194,471,457)**	(118,771,162)	**7,841,686,444**	8,008,649,177
Net Income (Loss)	**147,137,000**	326,591,088	**(30,374,245)**	(25,826,038)	**162,489,755**	103,851,795	**56,631,005**	50,394,300	**124,670,770**	189,751,289	**(80,765,478)**	(74,329,831)	**379,788,807**	570,432,603
Other Information														
Segment Assets	**28,964,200,892**	28,046,789,561	**3,149,500,599**	3,135,711,899	**16,232,412,698**	16,273,066,727	**223,265,464**	201,832,722	**5,563,878,689**	5,571,930,445	**(1,297,150,082)**	(1,233,568,112)	**52,836,108,262**	51,995,763,241
Segment Liabilities	**20,209,745,059**	19,442,012,828	**1,908,535,746**	1,855,841,320	**6,410,377,981**	6,540,273,990	**155,175,130**	151,632,393	**528,604,382**	584,016,738	**(83,478,237)**	(71,726,117)	**29,128,960,062**	28,502,051,151
Investments in Associates	**2,624,905,811**	2,654,532,769	-	-	-	-	**5,750,000**	5,750,000	**4,463,289,515**	4,403,319,515	**(885,209,086)**	(870,550,928)	**6,208,736,240**	6,193,051,356

HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES

SUPPLEMENTARY INFORMATION AND DISCLOSURES REQUIRED ON SRC RULE 68 AS AMENDED

March 31, 2020

Philippine Securities and Exchange Commission (SEC) issued the amended Securities Regulation Code Rule SRC Rule 68 which consolidates the two separate rules and labeled in the amendment as “Part I” and “Part II”, respectively. It also prescribed the additional information and schedule requirements for issuers of securities to the public.

Below are the additional information and schedules required by SRC Rule 68, as Amended (2011), that are relevant to the Group. This information is presented for purposes of filing with the SEC and is not required part of the basic financial statements.

Schedule A. Financial Assets in Equity Securities
The following is the detailed schedule of equity in investments at FVOCI as at March 31, 2020.

Name of Issuing Entities	Number of shares	Amount Shown in the Statement of Financial Position
Quoted:		
Sta Elena Golf Club Inc	3	18,000,000
Seafront Resources Corp - A	4,697,614	8,925,467
Philippine Long Distance Telephone Co.	38,867	5,587,697
Benguet Corporation - A	2,848,637	2,991,069
Manila Southwood Golf & Country Club	2	3,000,000
The Orchard Golf and Country Club	3	1,600,000
Rizal Commercial Banking Corp	64,986	1,111,261
Valle Verde Country Club	2	900,000
Solid Group, Inc.	340,000	272,000
Holcim Phils., Inc.	30,000	368,400
BDO Unibank, Inc.	2,550	263,925
Sherwoods Hills Golf Club	1	250,000
Fairways & Blue Water Resort Golf	1	250,000
Roxas Holdings Inc.	129,792	179,113
Club Filipino	1	180,000
Forest Hill golf share	1	180,000
Royale North Woods	1	121,856
Cebu Holdings, Inc.	15,625	95,313
Canyon Woods	1	70,000
Royale Tagaytay Country Club	1	60,000
Eagle Ridge Golf & Country Club	1	60,000
Lorenzo Shipping Corp	62,500	43,750
Filinvest Land, Inc.	24,687	22,465
BDO Leasing and Finance, Inc.	15,000	47,400
Roxas and Company Inc.	11,476	16,640
Empire East Land Holdings Inc.	32,430	9,567
Vitarich Corp	10,000	8,700

Lopez Holdings Corp.	154	429.66
Lepanto Consolidated Mining Co	28,982	2,968
Name of Issuing Entities	**Number of shares**	**Amount Shown in the Statement of Financial Position**
Unquoted:		
Hermosa Ecozone Development Corporation	1,000,000	₱552,641,702
Petrogreen Energy Corporation	258,144,888	464,163,306
Brightnote Assets Corporation	11,000,000	11,620,769
Sta. Elena Properties	1	8,475,548
YGC Corporate Services Inc	14,026	2,684,355
Tower Club (Philam Properties Corp)	1	500,000
Phil. Long Distance Tel-Pref. (Series V)	527	77,000
Integrated Properties	700	68,137
Menzi Industries	1,066	45,478
Architectural Center Club, Inc (ACCI)	1	32,000
Alsons Cement Corp.	37	18,750
Phillipne Contractors Association	10,000	10,000
RCBC Realty Corporation	169,999	8,232
Philippine Exporters Traiding Corp.	5,000	5,000
Menzi & Co., Inc.	106	4,522
Zamboanga Industrial Group		3,800
Pilipino Telephone Company	150	675
Others (LFPSI)		
Government Securities		9,438,124
Other Securities and Debt Instruments		25,116,640
Equity Securities	98,271	8,160,104
TOTAL	**278,769,109**	**₱1,127,692,162**

Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (other than related parties)

As at March 31, 2020, the Group has no receivable above P1 million or 1% of the total assets, whichever is lower.

Schedule C. Amounts Receivable from/Payable to Related Parties which are eliminated during the Consolidation of Financial Statements

Below is the schedule of receivables with subsidiaries, which are eliminated in the consolidated financial statements as at March 31, 2020:

Name and designation of debtor	**Balance at beginning of period**	**Additions**	**Amounts collected**	**Amounts written off**	**Balance at end of period**
Landev Corporation					
Due from affiliates	₱720,065	₱593,501	(₱869,287)	₱–	₱444,279
Dividends receivable	35,000,145	–	(5,000,000)	–	30,000,145
	35,720,210	593,501	(5,869,287)	–	30,444,424
Greyhounds Security and Investigation Agency Corporation					
Due from affiliates	545,854	134,865	(601,961)	–	78,758

Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Balance at end of period
Investment Managers, Inc.					
Due from affiliates	₱441,975	₱1,732,353	₱ (1,413,017)	–	₱761,311
Dividends receivable	–	–	–	–	–
	441,975	1,732,353	(1,413,017)	–	761,311
iPeople, inc. and subsidiaries					
Due from affiliates	7,341,817	27,550,507	(20,134,339)	–	14,757,985
Dividends receivable	–	35,291,152	–	–	35,291,152
	7,341,817	62,841,659	(20,134,339)	–	50,049,137
EEI Corporation and subsidiaries					
Due from affiliates	400,041	606,625	(1,003,688)	–	2,978
Dividends receivable	–	–	–	–	–
	400,041	606,625	(1,003,688)	–	2,978
La Funeraria Paz Sucat, Inc					
Due from affiliates	2,383,664	1,291,875	(3,221,347)	–	₱454,192
Dividends receivable	–	–	–	–	–
	2,383,664	1,291,875	(3,221,347)	–	454,192
Zambowood Realty and Development Corp					
Due from affiliates	1,742	1,100	(2,192)	–	650
Zamboanga Carrier Inc					
Due from affiliates	2,543	800	–	–	3,343
Xamdu Motors, Inc.					
Due from affiliates	390	400	(740)	–	50
	₱46,838,235	₱67,203,178	(₱32,246,571)	–	₱81,794,842

These receivables are non-interest bearing and are expected to be settled within the next twelve months.

Schedule D. Intangible Asset - Other Noncurrent Assets

As at March 31, 2020, the Group’s intangible assets consist of goodwill and computer software. Goodwill in the Group’s consolidated statements of financial position arose from the acquisition of EEI, iPeople, and Honda Cars Group. Details of the Group’s intangible assets are as follows:

Description	Beginning balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)	Ending balance
Goodwill	₱484,829,719	₱–	₱–	₱–	₱–	₱484,829,719
Computer Software	15,872,318	8,195,665	(6,621,573)	–	–	16,759,044
	₱500,702,037	₱8,195,665	(6,621,573)	₱–	₱–	₱501,588,763

Schedule E. Long-term Debt

Below is the schedule of long-term debt of the Group:

Type of Obligation	Amount	Current	Noncurrent
Parent Company			
Peso-denominated five (5) year term loan, payable quarterly starting March 2016 with interest of 5.11% per annum	₱75,000,000	₱75,000,000	₱–
EEI			
Fixed-rate corporate promissory notes with effective interest of 4.8% per annum for seven (7) years	2,142,857,143	1,214,285,714	928,571,429
EEI Power			
Peso-denominated seven (7) year term loan, with interest of 5.0526% per annum inclusive of two-year grace period on principal amortization	178,571,428	71,428,571	107,142,857
Biotech JP			
Yen-denominated five (5) year, four and half (4.5) year term and six (6) month term loan, with interest rate of 0.05% p.a., 0.30% p.a. and 2.45% p.a., respectively	142,323,123	–	142,323,123
MCM			
Peso-denominated ten (10) year term loan, payable in 20 equal quarterly payments which will to start at the end of 21st quarter from the initial drawdown date. Interest is subject to quarterly repricing	1,490,496,259	–	1,490,496,259
NTC			
Peso-denominated ten (10) year term loan, payable in 28 quarterly payments starting May 2022 with interest subject to annual repricing based on higher of 5.5% or prevailing 1-year rate plus interest spread	₱380,000000	₱–	₱380,000,000
	₱4,409,247,953	₱1,360,714,285	₱3,048,533,668

Schedule F. Indebtedness to Related Parties (Long-term Loans from Related Companies)

As at March 31, 2020, the Group has no long-term loans from its related parties.

Schedule G. Guarantees of Securities of Other Issuers

There are no guarantees of securities of other issuing entities by the Group as at March 31, 2020.

Schedule H. Capital Stock

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related statement of financial position caption	Number of shares held by related parties	Directors, Officers and Employees	Others
Common shares	1,250,000,000	776,465,281	393,166,274	2,695,400	380,603,607
Preferred shares	2,500,000,000	–	–	–	–

HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES

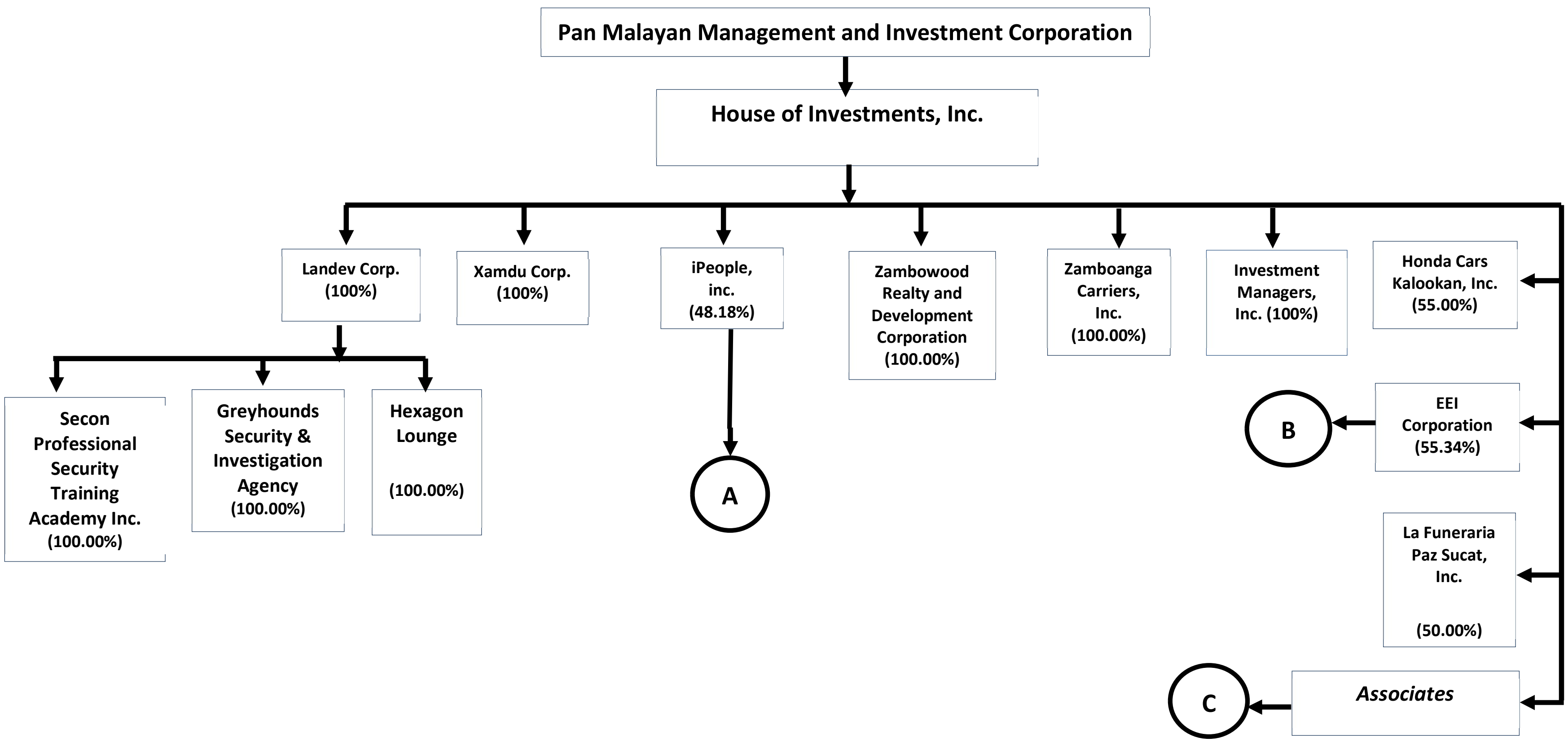
RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
FOR THE QUARTER ENDED MARCH 31, 2020

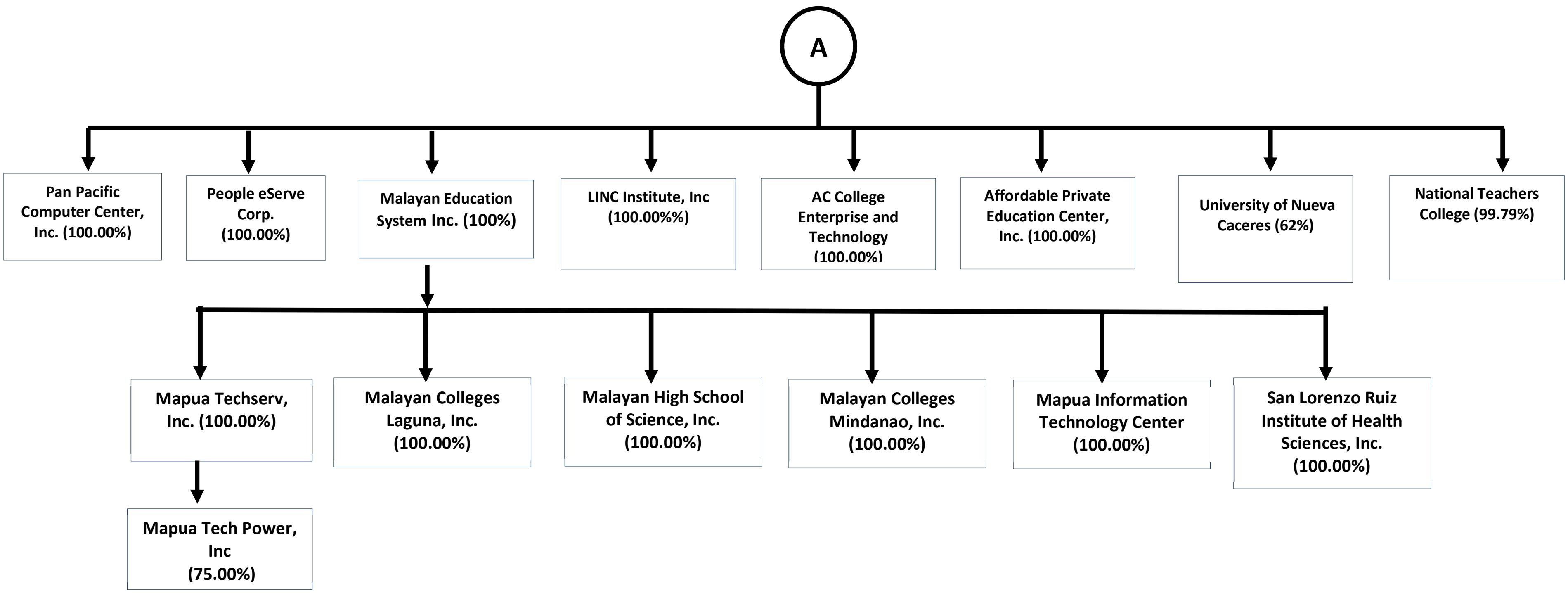
Unappropriated retained earnings, beginning	₱1,307,987,401
Less: Deferred tax asset	-
Treasury shares	(2,607,600)
Add: Impact of PFRS 16 adoption	-
Unappropriated retained earnings, as adjusted to amount available for dividend declaration, beginning	1,305,379,801
Appropriation	-
Net income during the year closed to retained earnings	22,754,438
Less movement in deferred tax asset that increased net income	-
Net income actually earned during the period	22,754,438
Dividend declared	(86,529)
UNAPPROPRIATED RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION, ENDING	₱1,328,047,710

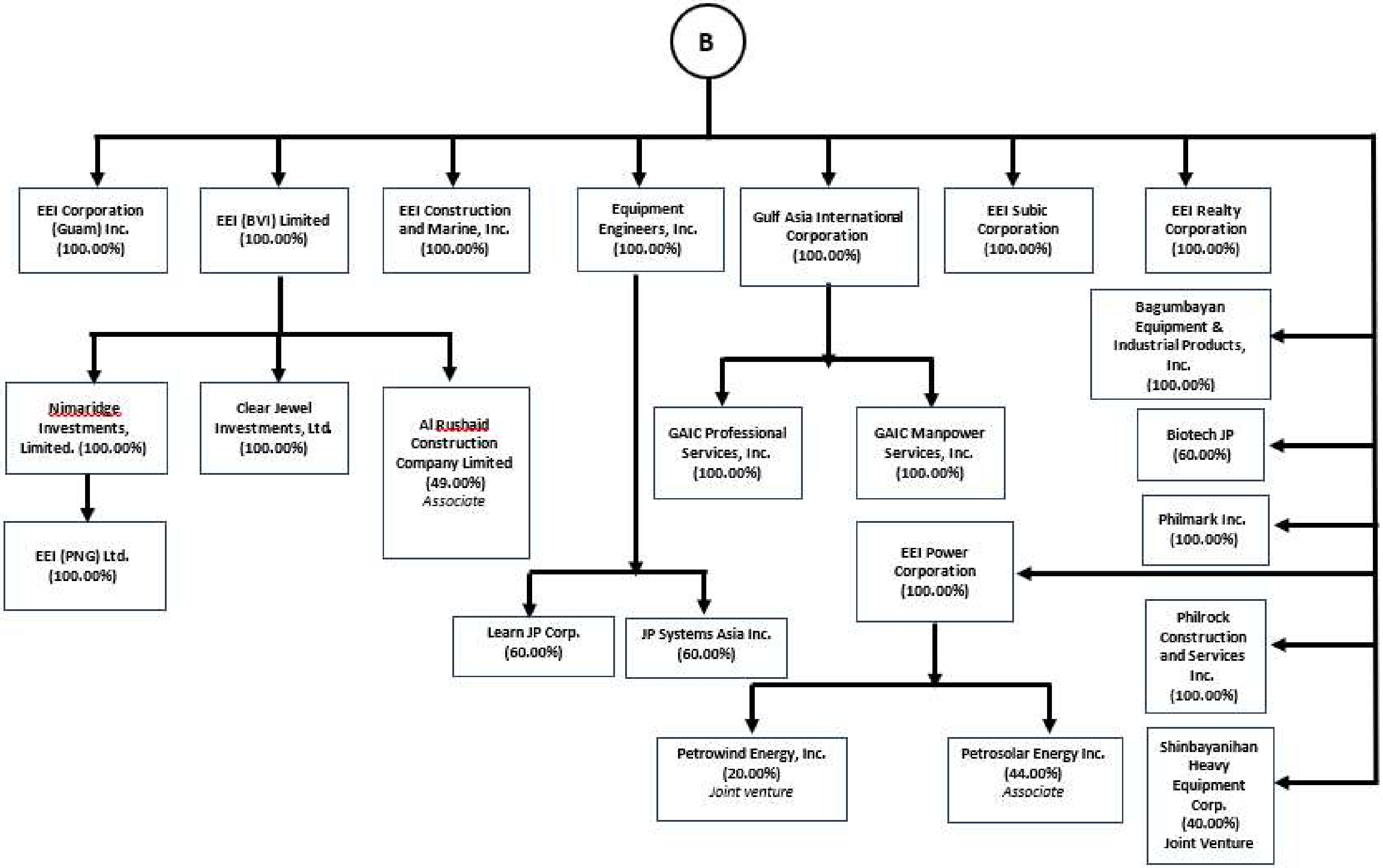
HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES
MAP OF RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP

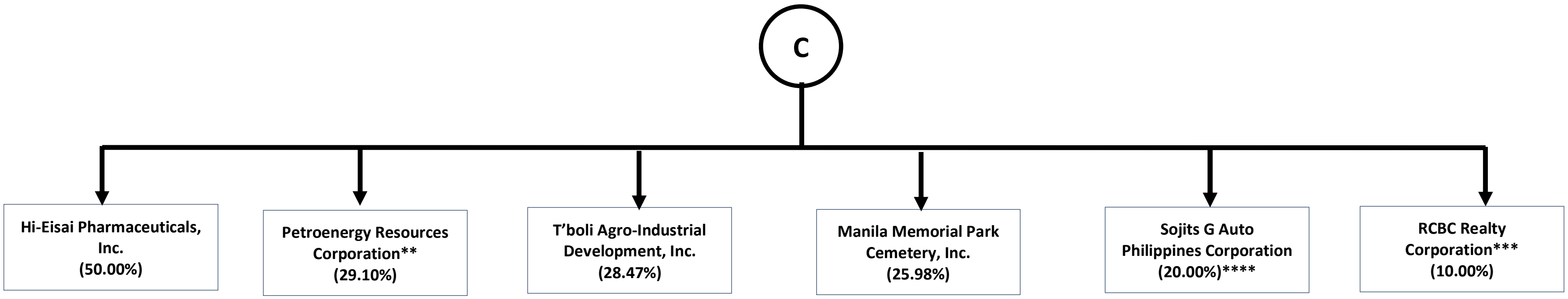
Group Structure

Below is a map showing the relationship between and among the Group and its ultimate parent company, subsidiaries, and associates as of March 31, 2020:




A
Pan Pacific Computer Center, Inc. (100.00%)
People eServe Corp. (100.00%)
Malayan Education System Inc. (100%)
LINC Institute, Inc (100.00%%)
AC College Enterprise and Technology (100.00%)
Affordable Private Education Center, Inc. (100.00%)
University of Nueva Caceres (62%)
National Teachers College (99.79%)
Mapua Techserv, Inc. (100.00%)
Malayan Colleges Laguna, Inc. (100.00%)
Malayan High School of Science, Inc. (100.00%)
Malayan Colleges Mindanao, Inc. (100.00%)
Mapua Information Technology Center (100.00%)
San Lorenzo Ruiz Institute of Health Sciences, Inc. (100.00%)
Mapua Tech Power, Inc (75.00%)


B
EEI Corporation (Guam) Inc. (100.00%)
EEI (BVI) Limited (100.00%)
EEI Construction and Marine, Inc. (100.00%)
Equipment Engineers, Inc. (100.00%)
Gulf Asia International Corporation (100.00%)
EEI Subic Corporation (100.00%)
EEI Realty Corporation (100.00%)
Nimaridge Investments, Limited. (100.00%)
Clear Jewel Investments, Ltd. (100.00%)
Al Rushaid Construction Company Limited (49.00%) Associate
EEI (PNG) Ltd. (100.00%)
Learn JP Corp. (60.00%)
JP Systems Asia Inc. (60.00%)
GAIC Professional Services, Inc. (100.00%)
GAIC Manpower Services, Inc. (100.00%)
EEI Power Corporation (100.00%)
Petrowind Energy, Inc. (20.00%) Joint venture
Petrosolar Energy Inc. (44.00%) Associate
Bagumbayan Equipment & Industrial Products, Inc. (100.00%)
Biotech JP (60.00%)
Philmark Inc. (100.00%)
Philrock Construction and Services Inc. (100.00%)
Shinbayanihan Heavy Equipment Corp. (40.00%) Joint Venture



** In November 2019, Parent purchased additional 3 million shares resulting to an increased ownership interest from 54.36 to 54.65%.*

*** On February 21, 2013, significant influence was obtained through piecemeal acquisition. In 2014, the Group purchased additional 6.6 million shares of PERC increased ownership interest from 20.00% to 22.41%. In 2018, the Parent purchased additional 69,285,418 shares amounting to P332.6M from stock rights offering, which increased ownership to 28.36%. In 2019, Parent purchased additional 4.2 million shares resulting to an increased ownership to 29.10%*

**** On September 17, 2013, the Group acquired 10.00% ownership in RRC. The Group was able to exercise significant influence since it has the capacity to participate in the financial and operating decisions of RRC through common key management and representation to the Board of Directors*

*****On November 8, 2019, the Parent purchased 2,500,000 shares of Sojitz G Auto Philippines Corporation from Sojitz Corporation amounting to P50,000,000 equivalent to 20% ownership equity.*

HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES

AGING OF ACCOUNTS RECEIVABLE
FOR THE QUARTER ENDED MARCH 31, 2020

		No. of days due		
	TOTAL	0-30	31-60	Over 61 days
Construction	₱4,619,860,838	₱3,380,812,000	₱225,425,000	₱1,013,623,838
Car Dealership	637,499,591	443,317,657	100,375,031	93,806,903
Education	784,946,740	496,601,724	221,334,844	67,010,172
Parent and Others	918,438,404	540,545,315	186,167,948	191,725,141
Total	6,960,745,573	4,861,276,696	733,302,823	1,366,166,054
Less: Allowance for doubtful accounts	(294,868,425)	–	–	(294,868,425)
	₱6,665,877,148	₱4,861,276,696	₱733,302,823	₱1,071,297,629

SIGNATURES

Pursuant to the requirements of Section 17 of the Securities Regulation Code and the Revised Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereto duly authorized, in the City of Makati on June 29, 2020.

IN WITNESS WHEREOF, we have hereunto affixed our signatures and the seal of the Corporation this 29th day of June, 2020 at Makati City.

By:

Lorenzo V. Tan
President & CEO

Gema O. Cheng
EVP- COO, CFO & Treasurer

Maria Teresa T. Bautista
VP –Controller

Atty. Samuel V. Torres
Corporate Secretary

JUN 29 2020, MANILA

SUBSCRIBED AND SWORN to before me this ____day of June, 2020, at ________________. Affiant exhibited to me their Residence Certificate Numbers indicated below each name.

Names	Document No.	Date & Place of Issue/Expiration
Lorenzo V. Tan	P4549834A	09-29-2017 Manila / 09-28-2022
Gema O. Cheng	DL#N06-84-036923	12-14-2017 Mandaluyong / 12-08-2022
Maria Teresa T. Bautista	DL#6-92-094899	11-23-2017 Makati / 11-23-2022
Atty. Samuel V. Torres	DL#13-83-001463	11-08-2017 QC / 11-10-2022

Doc. No. 207;
Page No. 42;
Book No. XXVII
Series of 2020

ATTY. HENRY D. ADASA
NOTARY PUBLIC, UNTIL DEC. 31, 2020
NOTARIAL COMMISSION 2020-162 MLA
IBP NO. 108328 : 01/03/2020, PASIG
PTR NO. 9124087 : 01/03/2020 MLA
ROLL NO. 39679, TIN: 172-528-620
MCLE COMPL. NO. VII-0000165