

COVER SHEET

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S.E.C. Registration Number

H O U S E O F I N V E S T M E N T S I N C .

(Company's Full Name)

9 / F L O O R G R E P A L I F E B U I L D I N G 2 2 1

S E N . G I L P U Y A T A V E N U E M A K A T I

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

Atty. Lalaine P. Monserate

Contact Person

8815-96-36

Company Telephone Number

1 2

Month Fiscal Year

3 1

Day

SEC FORM 20 - IS (DEFINITIVE)

FORM TYPE

0 7

Month

2 1

Day

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. Of Stockholders

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks= pls. Use black ink for scanning purposes

NOTICE OF ANNUAL STOCKHOLDERS' MEETING

NOTICE IS HEREBY GIVEN that the Annual Stockholders' Meeting of **HOUSE OF INVESTMENTS, INC.** will be held on **Friday, July 21, 2023** at 4:00 P. M., with 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 August 10, 2022
4. Approval of the Management Report and Audited Financial Statements for 2022
5. Ratification and confirmation of the acts, resolutions and proceedings of the Board of Directors, Executive Committee, Other Committees and the Officers of the Company
6. Election of Directors for 2023-2024
7. Appointment of External Auditor
8. Approval of the majority of the Minority Shareholders of the Issuance of Common Shares to Pan Malayan Management & Investment Corporation (PMMIC) and GPL Holdings, Inc. (GPLHI) and Waiver of the requirement of The Philippine Stock Exchange, Inc. to conduct a rights or public offering of the Common Shares subscribed by and to be issued to PMMIC and GPLHI
9. Increase in the Company's Authorized Capital Stock and the Corresponding Amendment to Article Seventh of the Company's Articles of Incorporation
10. Such other business that may properly come before the meeting
11. Adjournment

Only stockholders of record at close of business on **June 21, 2023** shall be entitled to vote at said meeting or any adjournment thereof.

Pursuant to the alternative mode of distributing and providing copies of the notice of the Annual Stockholders' Meeting as provided for in the Securities and Exchange Commission's NOTICE dated March 13, 2023, this notice to Stockholders shall be published in the business section of two (2) newspapers of general circulation, in print and online format, for two (2) consecutive days beginning June 29, 2023. Electronic copies of the Information Statement and Management Report and SEC Form 17-A and other pertinent documents will be made available on the (a) Company's website (www.hoi.com.ph) and (b) PSE Edge.

Given the current circumstances, stockholders may only attend and participate in the meeting by remote communication and vote only by proxy or remotely *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_asm@hoi.com.ph, on or before July 11, 2023. 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_asm@hoi.com.ph, for inspection, validation, and recording at least ten (10) days before the Annual Stockholders' meeting, on or before July 11, 2023. Proxies received thereafter shall not be recognized for the meeting.

For further details of 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 Stockholders' Meeting and post the same in its website.

Makati City, May 05, 2023.



ATTY. SAMUEL V. TORRES
Corporate Secretary

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_asm@hoi.com.ph, on or before July 11, 2023. 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 July 11, 2023 to the Office of the Corporate Secretary at hi_asm@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_asm@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 4:00 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 August 10, 2022

The minutes of the Annual Stockholders' Meeting held on August 10, 2022 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 2022

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 2022 and the outlook for 2023. The audited financial statements as of December 31, 2022 will be included in the Information Statement. A resolution noting the report and approving the 2022 audited financial statements 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 from the date of the last Annual Stockholders' Meeting until the date of this meeting.

The acts and resolutions of the Board of Directors, all Committees and Management of the Company for ratification were those adopted from August 10, 2022 until July 21, 2023. They include: a) opening/closing of bank accounts and delegation of bank signatories; b) approval of credit lines; c) appointment/promotion of officers; d) approval of Sustainability Report and Integrated Annual Corporate Governance Report, e) Authority to purchase of A.T. Yuchengco Centre, f) Authority co-invest in RCBC Trust Corporation, g) Authority to join the Sangle Point International Airport (SPIA) Consortium 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 2023-2024

Any stockholder may submit to the Corporate Governance, Nomination and Related Party Transactions Committee nominations to the Board of Directors no later than May 22, 2023. 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.

It may be noted, however, that while the Company is guided by the SEC's mandatory term limits for independent directors as provided for in SEC Memorandum Circular No. 4 (Series of 2017), three (3) of the independent director nominees, Dr. Roberto F. de Ocampo, OBE and Mr. Francisco H. Licuanan III, are already serving a cumulative term of eleven (11) years 2012 and Mr. Juan B. Santos for a cumulative of nine (9) years as reckoned from the year 2012. Nonetheless, the Company proposes the re-election and retention of Dr. de Ocampo, Mr. Licuanan, and Mr. Santos as independent directors. Meritorious justification for their retention/extension are provided in Item 5 of the Information Statement.

Appointment of External Auditor

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.

Approval of the majority of the Minority Shareholders of the Issuance of Common Shares to Pan Malayan Management & Investment Corporation (PMMIC) and GPL Holdings, Inc. (GPLHI) and Waiver of the requirement of The Philippine Stock Exchange, Inc. to conduct a rights or public offering of the Common Shares subscribed by and to be issued to PMMIC and GPLHI

In the disclosure of the Company dated April 25, 2023, the Board approved the acquisition of 77.32% of MICO Equities, Inc., 51% of Sun Life Grepa Financial, Inc., and 49% of Grepa Realty Holdings, Inc. through a share swap in exchange for a total of 692,836,949 new shares of the Company coming from the unissued authorized capital stock of the Company, as follows:

Target	# of Shares and (%) of the Target	Seller	# of equivalent Shares of the Company	Exchange Value
MICO Equities, Inc. (“MEI”)	4,639,711	Pan Malayan Management and Investment Corporation (“PMMIC”)	397,703,801	9,032,294,771.93
Sun Life Grepa Financial, Inc. (“SLGFI”)	17,850,000	GPL Holdings, Inc.	295,133,148	6,702,801,388.87
Grepa Realty Holdings, Inc. (“GRHI”)	10,146,768	GPL Holdings, Inc.		

The issuance of new shares of stock from the unissued authorized capital stock of the Company in exchange for the shares of MEI, SLGFI, and GRHI shares detailed in the above table is subject to the approval of the majority of the minority stockholders present during the Annual Stockholders’ Meeting. Resolutions for the foregoing will be presented during the meeting.

Increase in the Company’s Authorized Capital Stock and the Corresponding Amendment to Article Seventh of the Company’s Amended Articles of Incorporation

The Company will be presenting for the approval of stockholders holding at least 2/3 of the outstanding capital stock of the Company the amendment of the Amended Articles of Incorporation to increase in the Company’s Authorized Capital Stock (ACS), from Php2,875,000,000.00, which consists of 1,250,000,000 Common Shares with a par value of Php1.50 per share and 2,500,000,000 Preferred Shares with a par value of Php0.40 per share to Php3,205,000,000.00, divided into 1,470,000,000 Common Shares with a par value of Php1.50 per share and 2,500,000,000 Preferred Shares with a par value of Php0.40 per share.

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.

PART 1
INFORMATION REQUIRED IN INFORMATION STATEMENT

A. GENERAL INFORMATION

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

Date of meeting : **July 21, 2023**
Time of meeting : **4:00 pm**
Place of meeting : **Virtually with the proceedings livestreamed and voting conducted by proxy or *in absentia***
Approximate mailing date of this statement : **June 30, 2023**
Registrant's mailing address : **9/F, Grepalife Building
221 Sen. Gil J. Puyat Avenue
Makati City, Metro Manila, Philippines**

There will be no physical venue for the meeting. It will instead be held virtually in view of the continuing effect of the COVID-19 pandemic, as guided by and in observance of Proclamation No. 1218, which extended the period of the State of Calamity throughout the Philippines until September 12, 2022. The link to the meeting will be provided to stockholders of record who register to confirm their attendance. Actual proceedings shall be livestreamed, and voting will be conducted by proxy or through remote communication or *in absentia*. Pursuant to the alternative mode of distributing and providing copies of the notice of the Annual Stockholders' Meeting as provided for in the Securities and Exchange Commission's NOTICE dated March 13, 2023, the notice to Stockholders shall be published in the business section of two (2) newspapers of general circulation, in print and online format, for two (2) consecutive days beginning June 29, 2023. Electronic copies of the Information Statement and the Management Report and the SEC Form 17-A and other pertinent documents will be made available on the (a) Company's website and (b) PSE Edge.

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 April 30, 2023:

Common Stocks	776,465,281 shares
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Each common share of the Company's capital stock is entitled to one (1) vote at the Annual Stockholders' Meeting.

(b) Record Date: June 21, 2023

Only stockholders of record at the close of business on **June 21, 2023** 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 April 30, 2023.

COMMON STOCK

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 <i>Principal Stockholder</i>	Ms. Helen Y. Dee <i>Chairperson</i> is authorized to direct voting of the shares held by Pan Malayan Management & Investment Corporation	Filipino	397,166,269*	51.15%
Common	ESTATE OF ALFONSO T. YUCHENGCO 48/F, Yuchengco Tower, RCBC Plaza, 6819 Ayala Ave., Makati City <i>Principal Stockholder</i>	Ms. Helen Y. Dee <i>In her capacity as Administrator</i> is authorized to direct voting of the shares held the Estate of Alfonso T. Yuchengco	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 <i>Nominee</i> Mr. Raul Ruiz <i>VP - Research</i> are authorized to direct voting of the shares held by RCBC Securities	Filipino	264,154,263**	34.02%
Common	BPISECURITIES CORPORATION 8/F BPI Head Office Bldg., Ayala Ave., cor. Paseo de Roxas Makati City	Mr. John Kennard T. Fajardo <i>Nominee</i> is authorized to direct voting of the shares held by BPI Securities Corporation	Filipino	46,487,100	5.99%
Common	GPL Holdings, Inc.	Ms. Helen Y. Dee <i>President</i> is authorized to direct voting of the shares held by GPL Holdings, Inc.	Filipino	45,670,360	5.88%

* Represents direct and indirect ownership.

** Includes indirect holdings of Pan Malayan Management & Investment Corporation, Estate of Alfonso T. Yuchengco and GPL Holdings, Inc.

There are no arrangements that may result in change in control.

Among the above shareholders owning more than 5% of the Company's capital stock, no one has purchase shares of the Company in the past two years.

2. Security Ownership of Management

Securities beneficially owned by the directors, nominees, officers, other than qualifying shares, as of April 30, 2023 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	1,125,345	0.1449%
		Indirect	770,780	0.0993%
Mr. John Mark S. Frondoso	Filipino	Direct	5	0.0000%
Mr. Francisco H. Licuanan III	Filipino	Direct	500	0.0001%
Mr. Lorenzo Andres T. Roxas	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%
Mr. Lorenzo V. Tan	Filipino	Direct	5	0.0000%
Mr. Gil A. Buenaventura	Filipino	Direct	5	0.0000%
Ms. Yvonne S Yuchengco	Filipino	Direct	45	0.0000%
		Indirect	147,210	0.0190%
Sub-Total			2,043,920	0.2632%
Total Common Shares			776,465,281	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 April 30, 2023, there are 15,775,891 shares or 2.03% 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	20 Years
Mr. Lorenzo V. Tan	Director President & CEO	6 Years as Director 4 Years President & CEO
Mr. Medel T. Nera	Director	11 Years
Atty. Wilfrido E. Sanchez	Director	22 Years
Mr. Gil A. Buenaventura	Director	3 Years
Ms. Yvonne S Yuchengco	Director	21 Years
Mr. Lorenzo Andres T. Roxas*	Director	3 Years

*Withdrew from re-election.

INDEPENDENT DIRECTORS		
Name	Position	Length of Service
Dr. Roberto F. de Ocampo	Director	22 Years
Mr. John Mark Frondoso	Director	6 Years
Mr. Francisco H. Licuanan III	Director	17 Years
Mr. Juan B. Santos	Director	8 Years
Carlos G. Dominguez III	Nominee	-

EXECUTIVE OFFICERS			
Name	Position	Age	Citizenship
Ms. Helen Y. Dee	Chairperson	78	Filipino
Mr. Lorenzo V. Tan	President & CEO	61	Filipino
Ms. Gema O. Cheng	EVP – COO, CFO & Treasurer	58	Filipino
Mr. Alexander Anthony G. Galang	FSVP - Chief Audit Executive	62	Filipino
Mr. Joselito D. Estrella	SVP – Chief Information Officer	58	Filipino
Mr. Philippe John S. Fetalvero	SVP – Operations Head, Cars Division	54	Filipino
Ms. Ruth C. Francisco	SVP – Chief Risk Officer	59	Filipino
Ms. Ma. Esperanza F. Joven	FVP – Finance	52	Filipino
Ms. Ma. Elisa E. De Lara	FVP – Internal Audit	53	Filipino
Ms. Maria Teresa T. Bautista	VP – Corporate Controller	50	Filipino
Ms. Chona B. Cacho	VP – IT Audit Cluster	39	Filipino
Ms. Sonia P. Villegas	VP – Human Resources and Admin	54	Filipino
Atty. Lalaine P. Monserate	VP – Legal & Compliance Officer	59	Filipino
Mr. Gerard G. Magadia	VP – GM, Procurement Shared Services	50	Filipino
Mr. Julio Jude Teodoro D. Montinola	VP – Property	53	Filipino
Atty. Samuel V. Torres	Corporate Secretary	58	Filipino
Atty. Ma. Elvira Bernadette G. Gonzalez	Asst. Corporate Secretary	46	Filipino

POSITION AND BACKGROUND WITHIN THE LAST 5 YEARS

HELEN Y. DEE, 78 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 currently serving as **Chairperson** of EEI Corporation, House of Investments, Inc., 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, 61, Filipino, is a **Director** and the **President & CEO** of the Company. Mr. Tan is currently serving as **Director** of Smarts Communications, Inc., Digital Telecommunications, EEI Corp., Sunlife Grepa Financial, Inc., iPeople Inc., Malayan Insurance Company, Inc., Manila Memorial Park Cemetery, Inc., PetroEnergy Corporation, Philippine Realty and Holding Corporation (Philrealty), Hi-Eisai Pharmaceutical, Inc., and Honda Cars Philippines and Isuzu Manila, Inc.; **Director, President and CEO** of RCBC Realty Corporation and San Lorenzo Ruiz Investment Holdings and Services, Inc. He is also on the **Board of Adviser** of Alphaland Development Corporation. He holds the **Vice Chairmanship** of the Pan Malayan Management and Investment Corporation (PMMIC), and TOYM Foundation; **Member of the Board of Trustees** at De La Salle Zobel. *His past experiences include:* **President and CEO** of Rizal Commercial Banking Corporation. Prior to that, he also served as the **President and CEO** of Sun Life of Canada (Philippines), Inc., the Philippine National Bank, and the United Coconut Planters Bank; **Managing Director** of Primeiro Partners, Inc.; **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.

YVONNE S. YUCHENGCO, 69, Filipino, is a **Director** from 1999-2006, 2008 to present. She is also the **Chairman and President** of Philippine Integrated Advertising Agency, Inc., Y Tower II Office Condominium Corp., Yuchengco Tower Office Condominium Corp. and Royal Commons, Inc.; **Chairman** of Y Realty Corporation; **Vice Chairperson** of National Reinsurance Corp. of the Philippines and Malayan Insurance Co., Inc.; **Director, Treasurer and CFO** of Pan Malayan Management & Investment Corp.; **Director and President** of Alto Pacific Corporation, MICO Equities, Inc. and RCBC Land, Inc.; **Director and Treasurer** of Water Dragon, Inc., HI Cars, Inc., Malayan High School of Science, Inc., Mona Lisa Development Corp., Petro Energy Resources Corp., Mayahin Holdings Corporation and Pan Malayan Realty Corp.; **Director and Vice-President** of AY Holdings, Inc.; **Trustee and Chairperson** of The Malayan Plaza Condominium Owners and Yuchengco Museum, Inc.; **Director** of Annabelle Y. Holdings & Management Corporation, A.T. Yuchengco, Inc., Enrique T. Yuchengco, Inc., DS Realty, Inc., GPL Holdings, Inc., HYDee Management & Resources Corp., iPeople inc., La Funeraria Paz-Sucat, Inc., Luisita Industrial Park Corp., Malayan International Insurance Corp., Manila Memorial Park Cemetery, Inc., MPC Investment Corporation, Pan Malayan Express, Inc., Seafront Resources Corp., Shayamala Corporation, YGC Corporate Services, Inc. and Asia-Pac Reinsurance Co., Ltd.; **Trustee** of Avignon Tower Condominium Corporation, Phil-Asia Assistance Foundation, Inc., Malayan Education System, Inc. (Operating Under the Name of Mapua University), AY Foundation, Inc. and Yuchengco Center, Inc.; **Advisory Member** of Rizal Commercial Banking Corporation. **Educational Background:** Bachelor of Arts in Interdisciplinary Studies from Ateneo De Manila University, Philippines.

MEDEL T. NERA, 67, Filipino, is a **Director** from 2011 to present. He is also a **Director** of iPeople inc., EEI Corp., Seafront Resources Corp., National Reinsurance Corporation of the Philippines, Inc., Ionics, Inc., Ionics-EMS Corp. and Holcim Philippines, Inc. 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; **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 of Business Administration (MBA) from Stern School of Business, New York University, USA and Bachelor of Science in Commerce from Far Eastern University, Philippines, International Management Program at Manchester Business School, UK, Pacific Rim Program at the University of Washington, USA. Mr. Nera is a Certified Public Accountant.

ATTY. WILFRIDO E. SANCHEZ, 86, Filipino, is a **Director** from 2000 to present. He is also a **Tax Counsel** of Quiason Makalintal Barot Torres Ibarra Sison and Damaso Law Firm; **Director** in EEI Corporation, EMCOR, Inc., J-DEL Investments and Management Corporation, K-Servico, Inc., Kawasaki Motor Corporation, Trimotors Technology Corp., Wodel, Inc. and KS Prime Financial Corp.; **Independent Director** in Philippine National Bank, Tanduay Distillers, Inc., Asia Brewery, Inc., LT Group, Inc., and Eton Properties Philippines, Inc.; **Trustee** in Gokongwei Brothers Foundation, and JVR Foundation, Inc.; **His past experiences include:** Mr. Sanchez once worked in an accounting firm in the Philippines for almost thirty (30) years as tax consultant and headed its tax practice before his retirement. SGV was at one time the largest accounting firm in Asia until its affiliation with Arthur Andersen and Ernst & Young. He headed the tax practice in the firm for several years until his retirement after almost thirty (30) years of tax practice. While in the firm, he also acted as a business advisor to various entities. With this experience in SGV and QMBTISD, he has collected more than fifty (50) years of Tax and Corporate practice. **Educational Background:** Masters of Law from Yale Law School, USA; Bachelor of Laws and Bachelor of Arts from Ateneo de Manila University, Philippines.

ROBERTO F. DE OCAMPO, 77, Filipino, former Secretary of Finance, is an **Independent Director** from 2000 to present. He also serves as the Chairman of the Audit Committee. Dr. de Ocampo also serves as **Chairman of the Board of Advisors** of the RFO Center for Public Finance and Regional Economic Cooperation (an ADB Regional Knowledge Hub); **Vice Chairman** of the Makati Business

Club; **Member /Advisory Board Member** of a number of important global institutions including The Conference Board, the Trilateral Commission, the BOAO Forum for Asia and the Emerging Markets Forum, and The Global Reporting Initiative (GRI). **His past experiences:** **President** of the Asian Institute of Management (AIM); **Chairman** of the Philippine Veterans Bank and Foundation for Economic Freedom (FEF); **President** of Management Association of the Philippines (MAP); **Chairman and Chief Executive Officer** of the Development Bank of the Philippines during the presidency of Cory Aquino; **Chairman** of the Land Bank during the Ramos Administration; **Member** of the Board Governors of the World Bank, IMF, and ADB. He was awarded by Queen Elizabeth the Most Excellent Order of the British Empire (OBE), by France as a Chevalier (Knight) of the Legion d'Honneur, and by the Vatican as Knight of the Holy Sepulchre of Jerusalem. He is the recipient of many other awards including Philippine Legion of Honor, ADFIAP Man of the Year, Ten Outstanding Young Men Award, CEO Excel Award, several Who's Who Awards and the 2006 Asian HRD Award for Outstanding Contribution to Society. **Educational Background:** Dr. de Ocampo graduated from De La Salle College and Ateneo de Manila University, received an MBA from the University of Michigan, holds a post-graduate diploma in Development Administration from the London School of Economics, and has four doctorate degrees (Honoris Causa) conferred by the De La Salle University in Business Administration, by the University of Angeles City in Public Administration, by the Philippine Women's University in Laws, and by the San Beda College in Humane Letters.

JUAN B. SANTOS, 84, Filipino, was elected as an **Independent Director** in 2014. He is also a **Director** of Allamanda Management Corporation, Philippine Investment Management Corp., Rizal Commercial Banking Corporation, Sunlife Grepa Financial, Inc.; **Trustee** of Dualtech Training Center Foundation, Inc. and 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.

GIL A. BUENAVENTURA, 70, 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** De La Salle Philippine School System; **Board Member** of Banker Association of the Philippines, BANCNET and Philippine Payments Management Inc. **Educational Background:** Master of Business Administration in Finance from University of Wisconsin, Madison, Wisconsin.

FRANCISCO H. LICUANAN III, 79, 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. **Educational Background:** Master of Business Administration from Harvard Business School, USA; Bachelor of Arts in Economics (cum laude) from Ateneo De Manila University, Philippines.

JOHN MARK S. FRONDOSO, 48, 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, 58, Filipino, is a **Director** from 2020 to present. 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** of Philippine Association of Securities Brokers and Dealers, Inc., and **Chairman and President**, LTR Holdings, Inc. *His past experiences include:* **Chairman** of Manila House Private Club, Inc.; **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.

CARLOS G. DOMINGUEZ, III, 77, Filipino, is a **Nominee for Director**. He was the **Secretary** of the Department of Finance and the **Chairman** of the Land Bank of the Philippines from 2016 to 2022. Prior to his appointment as Finance Secretary, he was **President** of Lafayette (Philippines), Inc., Phil. Associated Smelting and Refining Corp., Phil. Tobacco Flue Curing Redrying Corporation, Baesa Redevelopment Corp., Retail Specialist Inc. and BPI Agricultural Development Bank. He also served as **Chairman and President** of Philippine Airlines. *Educational Background:* Master of Arts in Business Management and Bachelor of Arts in Economics from Ateneo De Manila; Post-Graduates Studies Stanford Executive Program and Corporate Governance from Center for Training and Development, Inc.

EXECUTIVE OFFICERS:

GEMA O. CHENG, 58, 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, Executive Vice President and Treasurer** of Landev Corporation; **Executive Vice President and Chief Operating Officer** of San Lorenzo Ruiz Investment Holdings and Services, Inc. **Executive Vice President and Chief Financial Officer** of ATYC, Inc.: and serves as **Director** of the following: Mapua Malayan Colleges Laguna, Inc., Mapua Malayan Colleges Mindanao, 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) and prior to that, CFO of the various property companies pre-consolidation; *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, 62, Filipino, is the **First Senior Vice President for Internal Audit** since 2022. He was **Senior Vice President** from 2009 to 2022 and **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, 58, 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.

PHILIPPE JOHN S. FETALVERO, 54, Filipino, is the **SVP – Business Operations Head for the Cars Division**. *His past experiences include:* **General Manager** of Honda Cars Kalookan, Inc. where he started as Sales Manager in 1994. He also served as a faculty member at the De la Salle University Impact Center. *Educational Background:* Bachelor of Science in Computer Science from the De La Salle University.

RUTH C. FRANCISCO, 59, Filipino, is the **Senior Vice President – Chief Risk Office**. She joined the company in July 2010 and was seconded to Malayan Education System, Inc. (Operating under the name of Mapúa University) (“Mapúa”) as the **Chief Finance Officer**. During her assignment in Mapúa,

she also held the following positions: **Treasurer** for Malayan Colleges Foundation, Inc., Malayan Colleges Mindanao (A Mapua School), Inc., and MIT Retirement Fund, Inc. **Educational Background:** Doctor of Business Administration, Colegio de San Juan de Letran; Master in Business Administration, Philippine Christian University; Bachelor of Science in Commerce, Major in Accounting, Manuel L. Quezon University.

MA. ESPERANZA F. JOVEN, 52, Filipino, is the **First Vice President for Finance**. She was Vice President for Finance of the Company from 2014 to June 2021. She is also the **Vice President & Treasurer** in HI-Eisai Pharmaceutical, Inc.; **Chief Finance Officer and Treasurer** of San Lorenzo Investment Holdings and Services, Inc.; **Treasurer** of ATYC, Inc.; **Vice President and Treasurer** of Blackhounds Security & Investigation Agency, Inc.; and a **Director** in Manila Memorial Park Cemetery, Inc., La Funeraria Paz-Sucat, Inc., and Blackhounds Security and Investigation Agency, Inc.. *Her past experiences include:* **Vice President for Finance** of iPeople, inc. and **Director** of San Lorenzo Ruiz Investment Holdings & Services, Inc. and Zamboanga Industrial Finance Corporation. 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, 53, Filipino, is the **First Vice President for Group Internal Audit since 2021**. She was **Vice President** of the company from 2014 to June 2021. 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, 50, Filipino, is the **Vice President - Controller** since July, 2017. She is also the **Controller** of Landev Corporation, ATYC Inc. and San Lorenzo Ruiz Investment Holdings and Services, Inc.; **CFO and Treasurer** of Investment Managers Inc., Xamdu Motors, Inc., Zamboanga Carriers, Inc. and Zambowood Realty and Development Corp. and Hexagon Lounge, Inc.; **Treasurer** of Greyhounds Security and Investigation Agency Corp. and Secon Professional Security Training Academy, Inc. 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.

CHONA B. CACHO, 39, Filipino, is the **IT Audit Cluster Head/ Vice President for IT Audit** since July 2021. She was **Assistant Vice President for IT Audit** of the company from July 2019 to June 2021. She is a Certified Public Accountant (CPA) and holds Global Certification as a Certified Internal Auditor (CIA) and a Certified Information Systems Auditor (CISA). **Educational Background:** Bachelor of Science in Accountancy (Cum Laude) from Polytechnic University of the Philippines, Sta. Mesa, Manila.

SONIA P. VILLEGAS, 54, Filipino, is the **Vice President for HR and Admin**. She was **Assistant Vice President for HR and Admin** of the Company from 2013 to June 2021. She is also a **Director** of Greyhounds Security and Investigation Agency, Zambo Realty and Development Corp., and Zambo Carriers, Inc. She was also a **Director** of Landev Corporation up to September 2022. **Educational Background:** Strategic Human Resources Management Certificate Program from Ateneo Center for Organization and Research Development and Bachelor of Arts in Economics from the University of the East, Manila.

LALAINA P. MONSERATE, 59, Filipino, is the **Vice President for Legal and Compliance**. She joined the Company in November, 2016 as **Assistant Vice President – Legal and Compliance Officer**. She was appointed **Data Privacy Officer** for the Company on May 2017 up to the present. She is also the **Corporate Secretary** of Greyhounds Security and Investigation Agency Corporation, Zamboanga Carriers, Inc. and Zambowood Realty & Development Corporation from August 2018 to present. She is also the **Compliance Officer** for Money Laundering/Financing of Terrorism (ML/FT) for San Lorenzo Ruiz Investment Holdings and Services, Inc., RCBC Realty Corporation, and ATYC, Inc. newly covered persons under the Designated Non-Financial Businesses and Profession (DNFBP). **Educational Background:** Bachelor of Laws and Bachelor of Arts in Political Science from the University of Nueva Caceres in Naga City.

JULIO JUDE D. MONTINOLA, 53, Filipino, is the **Vice President for Property**. He is also the **General Manager** of ATYC, Inc. since August 1, 2022. *His past experiences include: Head of Property* for Shang Properties, Inc. and **Assistant Vice President for Business Development, Strategic Planning and Communications** of Roxas and Co., Inc. *Educational Background:* Bachelor of Science degree in Business Administration major in Business Management from De La Salle University in 1993.

GERARD G. MAGADIA, 51, Filipino, is the **Vice President & General Manager for Procurement Shared Services**. *His past experiences include: Head of Supply Chain Management* of Concepcion Carrier Airconditioning Company (CCAC), **Head Strategic Sourcing and Vendor Management** of Meralco and **Assistant Vice President & Head of Strategic Procurement** of Equipment Engineers Inc.-a wholly owned subsidiary of EEI Corporation. *Educational Background:* Management Development Program Executive Education & Lifelong Learning from Asian Institute of Management (AIM), with MBA Units at Ateneo Graduate School of Business and Bachelor of Science in Chemistry from Pablo Borbon Memorial Institute of Technology (now Batangas State University).

RAMON F. RIVERA III, 48, Filipino, is the **Vice President for IT Business Solutions Unit**. *His past experiences include: Chief Information Officer* of Goldilocks Bakeshop, Inc., **AVP for IT Strategy, Governance and Delivery** of St. Luke's Medical Center and **Director for Product Capability and Delivery** of Globe Telecom. He is also a Certified Enterprise Quality Professional, a frequent event speaker on Information Security and Enterprise Resource Planning and a trainer for Project Management. *Educational Background:* Bachelor of Science in Electronics and Communication Engineering.

SAMUEL V. TORRES, 58, 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. (Operating as Mapua Malayan Colleges Mindanao), Malayan Colleges Foundation, Inc., Malayan Information Technology Center, Inc., Malayan Colleges Laguna, Inc A Mapua School operating under the name of Mapua Malayan Colleges Laguna (Formerly: Malayan Colleges Laguna, Inc, 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., University of Nueva Caceres, Inc., National Teachers College, GPL Holdings, Pan Pacific Computer Center, Inc., HI Cars, 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, 46, 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, National Teachers College, University of Nueva Caceres, 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 2023-2024:

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

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
- 5) Mr. Carlos G. Dominguez III

Mrs. Eliadah Neiel Dela Rama, 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, John Mark S. Frondoso, Carlos Dominguez III 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 nominees for independent directors, **they 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.** 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 4 are the Certifications of Independent Directors)

It may be noted, however, that while the Company is guided by the SEC's mandatory term limits for independent directors as provided for in SEC Memorandum Circular No. 4 (Series of 2017), two (2) of the nominees for independent director, Dr. Roberto F. de Ocampo, OBE and Mr. Francisco H. Licuanan III, are already serving a cumulative term of ten (11) years since 2012. On the other hand, Mr. Juan B. Santos is now serving a cumulative term of nine (9) years as reckoned from the year 2012. The stockholders voted for the re-election and retention of Dr. de Ocampo and Mr. Licuanan as independent directors during the 2022 Annual Stockholders' Meeting of the Company based on the invaluable contribution and guidance that they are constantly providing to the Company. It is proposed that Mr. Santos similarly be re-elected and retained as Independent Director on the same grounds. The following meritorious justifications may be considered:

Dr. de Ocampo is a product of both the De La Salle and the Ateneo de Manila Universities. He received his MBA from the University of Michigan, postgraduate diploma from the London School of Economics and was conferred four doctorates (Honoris Causa) by various Philippine educational institutions. In the private sector, Dr. de Ocampo has been/is the Chairman and/or Board Member of several companies, both in the Philippines and abroad. He is most well-known nationally and internationally for public and international finance. Dr. de Ocampo was a former Secretary of Finance of the Republic of the Philippines, receiving many local and international accolades while he was in public service, including being named as "Asian Finance Minister of the Year" for two years in a row, in 1996 and 1997. For his initiatives to improve Philippine international relations, Dr. de Ocampo was honored by the Republic of France. He was also conferred by HM Queen Elizabeth II the Most Excellent Order of the British Empire (OBE) for his outstanding efforts to promote Philippine-UK relations. Dr. de Ocampo is a recipient of numerous other international and national honors. He is truly a pioneer, an authority and a leading expert in the field of finance. The Company greatly benefits from the advice and guidance that he provides.

Mr. Licuanan similarly maintains a reputable standing. He has an exceptional educational background, having graduated AB Economics, Cum Laude, from the Ateneo De Manila University and completing his MBA at Harvard Business School in Cambridge, Massachusetts, USA. Thereafter, Mr. Licuanan went on to establish a distinguished career in both the private and public sectors. For more than two (2) decades, Mr. Licuanan immersed himself in and led one of the largest real estate firms in the country, initially as Vice President for Corporate Planning of Ayala Corporation in 1979 to serving as Ayala Land, Inc.'s President and CEO from 1988 to 2004. He was also a highly valued member of the Office of the President, serving as Chairman of the Subic Bay Metropolitan Authority and as an Adviser for the Subic-Clark Area Development. Clearly, Mr. Licuanan's proficiency in finance, real estate, and other various business industries and public sector concerns provides the Company with invaluable direction and guidance.

Mr. Santos has a commendable academic background. He graduated BS Business Administration from the Ateneo De Manila University, took his graduate studies at Thunderbird Graduate School of Management, Arizona, USA, and completed an Advanced Management Course in IMD, Lausanne, Switzerland. He has had an outstanding career in the private and public sectors, exhibiting his expertise in management and finance. Mr. Santos was a former Secretary of Trade and Industry of the Republic of the Philippines and served as Chairman of the Social Security System. In the private sector, he led Nestle Philippines, Inc. as its Chairman and CEO. He also held and continues to hold directorships in various notable PSE listed companies and financial and banking institutions. In 1994, Mr. Santos was the recipient of the Management of the Year Award from the Management Association of the Philippines (MAP). Given Mr. Santos' accomplishments and the expertise he has shown in management, finance

and various fields of business, the Company deems his advice, counsel and guidance as instrumental to the success and growth of the Company.

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.

The attendance report indicating the attendance of each director or trustee at each of the meetings of the board and its committees and in regular or special stockholder meetings is attached as Annex "6".

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 2022-2023 are as follows:

Committee Membership of Directors

Executive Committee

Helen Y. Dee	Chairman
Lorenzo V. Tan	Member
Juan B. Santos	Member and Lead Independent Director
Yvonne S. Yuchengco	Member
Gil A. Buenaventura	Member

Remuneration Committee

Wilfrido E. Sanchez	Chairman
Juan B. Santos	Member
Gil A. Buenaventura	Member

Audit Committee

Roberto F. de Ocampo	Chairman
Juan B. Santos	Member
Medel T. Nera	Member

Board Risk Oversight Committee

Juan B. Santos	Chairman
John Mark S. Frondoso	Member
Lorenzo Andres T. Roxas	Member

Corporate Governance, Nomination and Related Party Transactions Committee

John Mark S. Frondoso	Chairman
Roberto F. De Ocampo	Member
Francisco H. Licuanan	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. Mr. John Mark S. Frondoso is the nephew of Ms. Helen Y. Dee and Ms. Yvonne S. Yuchengco by virtue of his mother being their second cousin on the maternal side.

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 April 30, 2023:

- 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, FSVP – Internal Audit 4. Joselito D. Estrella, SVP – Chief Information Officer 5. Ruth C. Francisco, SVP – Chief Risk Officer	2023	P46.1(est)	P0	P0
	2022	P43.9M	P0	P0
	2021	P41.6M	P0	P0
All other officers and directors as group unnamed.	2023	P58.2M (est)	P0	P1.8M (est)
	2022	P59.3M	P0	P1.5M
	2021	P49.8M	P0	P1.5M
TOTALS	2022	P104.3M (est)	P0	P1.6M (est)
	2021	P103.2M	P0	P1.5M
	2020	P91.5M	P0	P1.1M

* Pertains to total amount of Per Diem paid to Directors.

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 P30,000 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 Committee Meetings.

There is no stock warrant and no stock option entitlement for Directors and Executive Officers. There is no provision in current executive employment contracts as to "change in control arrangements".

Item 7: Independent Public Accountants

The accounting firm of Sycip Gorres Velayo and Co. (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 Memorandum Circular No. 8, series of 2003 (rotation of external auditors), the Company has engaged Mr. Lloyd Kenneth S. Chua, as the engagement partner of SGV & Co. effective YE 2023 audit. SEC rules mandate the compulsory rotation of audit partners after 5 years.

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.

Disagreement with Accountants on Accounting and Financial Disclosure

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.

Attendance of Accountants at the Meeting

Representatives of SGV & Co. are expected to be present at the annual stockholders meeting 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.

External Audit Fees and Services

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
2022	P4,402,500
2021	P3,854,000
2020	P3,417,000

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

The proposed annual audit fees for the external auditor are reviewed and evaluated by Management. Management regularly presents to the Audit Committee the proposed negotiated audit fees each year. If there would be adjustment or increase from the prior year, Management is expected to justify the reason for the increase. Engagement letters are not signed until the Audit Committee has approved the audit fees.

Tax Fees

The Company has not engaged the services of the external auditor for tax accounting, compliance, advice, planning and any other form of tax services.

All Other Fees

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

(a) *[State the title and amount of securities to be authorized or issued.]*

1. The Company is seeking the approval of the stockholders for the increase in the Company's Authorized Capital Stock (ACS), from Php2,875,000,000.00, which consists of 1,250,000,000 Common Shares with a par value of Php1.50 per share and 2,500,000,000 Preferred Shares with a par value of Php0.40 per share, to Php3,205,000,000.00 divided into 1,470,000,000 Common Shares with a par value of Php1.50 per share and 2,500,000,000 Preferred Shares with a par value of Php0.40 per share.

The increase in the Company's ACS is being made pursuant to the approval of PMMIC and GPLH's subscription to Common Shares of the Company, which shares shall be issued from the Company's unissued shares and from the increase in ACS. The issuance of the

unissued shares and increase in ACS shall be subject to the approval by the SEC of the confirmation of valuation and increase in capital stock.

2. The Company further seeks approval of the following:

- (i) subscription of Two Hundred Twenty Million (220,000,000) Common Shares coming from the increase in capital stock plus the One Hundred Seventy Seven Million Seven Hundred Three Thousand Seven Hundred Forty Eight (177,703,748) Common Shares coming from the existing unissued Common Shares, or a total of Three Hundred Ninety Seven Million Seven Hundred Three Thousand Eight Hundred One (397,703,801) Common Shares with a par value of One Peso and Fifty Centavos (₱1.50) per share, by PMMIC at a subscription price of Twenty Two and 71,111/100,000 Pesos (₱22.71111) per share, or a total subscription price of Nine Billion Thirty Two Million Two Hundred Ninety Four Thousand Seven Hundred Seventy One and 93/100 Pesos (₱9,032,294,771.93), by way of share for share swap consisting of the following shares held by PMMIC:

Name of the company whose shares are subject of the Share Swap	No. of Shares	Transfer Value (in ₱)
MICO Equities, Inc.	639,711	032,294,771.93

- (ii) subscription of Two Hundred Ninety Five Million One Hundred Thirty Three Thousand One Hundred Forty Eight (295,133,148) Common Shares with a par value of One Peso and Fifty Centavos (₱1.50) per share to GPLHI at a subscription price of Twenty Two and 71,111/100,000 Pesos (₱22.71111) per share, or a total subscription price of Six Billion Seven Hundred Two Million Eight Hundred One Thousand Three Hundred Eighty Eight and 87/100 Pesos (₱6,702,801,388.87), by way of share for share swap consisting of the following shares held by GPLHI:

Name of the company whose shares are subject of the Share Swap	No. of Shares	Transfer Value (in ₱)
SunLife Grepa Financial, Inc.	,850,000	035,429,864.31
Grepa Realty Holdings Corporation	,146,768	667,371,524.56
Total		702,801,388.87

- (b) *[Furnish the information required by Part II paragraph (B) of "Annex C". If the terms of the securities cannot be stated or estimated with respect to any or all of the securities to be authorized because no offering thereof is contemplated in the proximate future, and if no further authorization by security holders for the issuance thereof is to be obtained, it should be stated that the terms of the securities to be authorized, including dividend or interest rates, conversion prices, voting rights, redemption prices, maturity dates and similar matters will be determined by the board of directors.]*

The Common Shares shall have the same features and rights as the existing Common Shares of the Corporation.

- (c) *[Describe briefly the transaction in which the securities are to be issued, including a statement as to*

(1) *the nature and approximate amount of consideration received or to be received by the registrant, and*

(2) *the approximate amount devoted to each purpose so far as determinable for which the net proceeds have been or are to be used. If it is impractical to describe the transaction in which the securities are to be issued, state the reason, indicate the purpose of the authorization of the securities, and state whether further authorization for the issuance of the securities by a vote of security holders will be solicited prior to such issuance.]*

The issuance of the shares arising from the available but unissued shares and from the increase in capital stock by way of share for share swap shall be subject to the approval by the SEC of the confirmation of valuation and increase in capital stock.

The Company shall receive from PMMIC 4,639,711 common shares of MICO Equities, Inc. with a value of Php9,032,294,771.93 as consideration for the issuance of 397,703,801 Common Shares of the Company.

The Company shall also receive from GPLHI 17,850,000 common shares of SunLife Grepa Financial, Inc. with a value of Php5,035,429,864.31 and 10,146,768 commons shares of Grepa Realty Holdings Corporation with a value of Php1,667,371,524.56 as consideration for the issuance of 295,133,148 Common Shares of the Company.

The shares swapped by PMMIC and GPLHI to the Company shall be recorded in the books of the Company as investments in subsidiaries

- (d) *[If the securities are to be issued other than in a public offering for cash, state the reasons for the proposed authorization or issuance and the general effect thereof upon the rights of existing security holders.]*

The Common Shares shall be issued by way of private placement to PMMIC and GPLHI which are related parties of the Company. As such, the Company will also seek approval of the majority of the minority shareholders in compliance with the requirements of the PSE. The voting of rights of existing security holders other than PMMIC and GPLHI shall be diluted.

After the swap, House of Investments will be a more diversified conglomerate with the resources to take advantage of opportunities moving forward adding insurance as one of its core investments through Sun Life Grepa Financial and MICO Equities which owns Malaysian Insurance Co., Inc.

House of Investments will also expand its property portfolio after the swap for Grepa Realty. The main asset of GRHI is Grepalife Building which stands on a 5,000 sq.m. land along Sen. Gil J. Puyat Avenue in Makati and will add to the property portfolio of HI which includes A.T. Yuchengco Centre, RCBC Plaza, and the upcoming The Yuchengco Centre. GRHI also owns properties in Cebu, Antipolo, Tacloban, Manila and a lot in Carmelray in Calamba which is an industrial park classified as Special Economic Zone by PEZA.

- (e) *[Furnish the information required by Item 11(a) of this Form.*

If the matter to be acted upon is any of the following, the information required by Item 11(a) need not be furnished:

- (1) the authorization or issuance of common stock, other than in an exchange, merger, consolidation, acquisition or similar transaction; or*
- (2) the authorization of preferred stock for issuance for cash in an amount constituting fair value.]*

Please see Item 11 below.

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.

Item 11: Financial and Other Information

The audited financial statements as of December 31, 2022, 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 August 10, 2022 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 remotely or in absentia and by proxy. The stockholders present remotely or in absentia and by proxy are represented by 614,863,748 common shares or 79.19% of the total outstanding shares entitled to vote.

The stockholders were given the opportunity to ask questions by submitting their questions electronically to the Company before the meeting and also before the meeting was adjourned. There were no questions submitted before, nor were asked during, the said meeting.

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

1. Approval of the August 6, 2021 Minutes constitutes a ratification of the accuracy and faithfulness of the Minutes of the events that transpired during the said meeting, such as (a) 2020 annual report and audited financial statements, (b) ratification of the actions of the Board of Directors, different Committees and Management during the year 2020, (c) election of directors, and (d) appointment of external auditors.
2. Approval of the 2021 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 August 6, 2021 for the period 2021 up to the date of meeting (August 10, 2022). 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 credit lines; and c) appointment/promotion of officers;
4. Election of Directors for 2022-2023.
5. Re-appointment of Sycip Gores Velayo & Co. as external auditor of the Company for the fiscal year ending 31 December 2022.

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. Lorenzo V. Tan, President
3. Ms. Yvonne S. Yuchengco
4. Mr. Medel T. Nera
5. Atty. Wilfrido E. Sanchez
6. Mr. Gil A. Buenaventura
7. Mr. Lorenzo Andres T. Roxas
8. Dr. Roberto F. De Ocampo
9. Mr. Juan B. Santos
10. Mr. John Mark S. Frondoso
11. Mr. Francisco Licuanan

Officers:

12. Ms. Gema O. Cheng, EVP-COO, CFO and Treasurer
13. Mr. Anthony Alexander G. Galang, SVP-Internal Audit
14. Ms. Ma. Esperanza F. Joven, FVP-Finance
15. Ms. Ma. Teresa T. Bautista, VP-Corporate Controller
16. Ms. Maria Elisa E. De Lara, FVP-Internal Audit
17. Atty. Lalaine P. Monserate, VP-Legal and Compliance Officer
18. Atty. Samuel V. Torres, Corporate Secretary
19. 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 made available on the Company's website together with the Information Statement and were likewise available at the Disclosures Section of the Philippine Stock Exchange (edge.pse.com.ph). Likewise, a recording of the proceedings was made available on the Company's website.

Approval of the August 10, 2022 Minutes constitutes a ratification of the accuracy and faithfulness of the Minutes of the events that transpired during the said meeting, such as (a) 2021 annual report and audited financial statements, (b) ratification of the actions of the Board of Directors, different Committees and Management during the year 2021 (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 August 6, 2021 for the period 2021 up to the date of meeting (August 10, 2022). 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 credit lines; c) appointment/promotion of officers; d) approval of the sustainability report; 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

The Company will be presenting for the approval of stockholders holding at least 2/3 of the outstanding capital stock of the Company the increase in the Company's Authorized Capital Stock (ACS), from Php2,875,000,000.00, which consists of 1,250,000,000 Common Shares with a par value of Php1.50 per share and 2,500,000,000 Preferred Shares with a par value of Php0.40 per share to Php3,205,000,000.00 divided into 1,470,000,000 Common Shares with a par value of Php1.50 per share and 2,500,000,000 Preferred Shares with a par value of Php0.40 per share.

Pursuant to the increase in the Company's ACS, the corresponding amendment to Article Seventh of the Company's Amended Articles of Incorporation shall also be presented for approval, as follows:

From	To
That the authorized capital stock of the corporation is TWO BILLION EIGHT HUNDRED SEVENTY FIVE MILLION PESOS (P2,875,000,000.00) Philippine Currency, and said capital stock is divided into ONE BILLION TWO HUNDRED FIFTY MILLION (1,250,000,000) shares of COMMON STOCK with a par value of ONE PESO AND FIFTY CENTAVOS (P1.50) each and Two Billion Five Hundred Million (2,500,000,000) shares of PREFERRED STOCK with a par value of FORTY CENTAVOS (P0.40) each.	That the authorized capital stock of the corporation is THREE BILLION TWO HUNDRED FIVE MILLION PESOS (P3,205,000,000.00) Philippine Currency, and said capital stock is divided into <u>One Billion Four Hundred Hundred Seventy Million (1,470,000,000) shares of COMMON STOCK</u> with a par value of ONE PESO AND FIFTY CENTAVOS (P1.50) each and Two Billion Five Hundred Million (2,500,000,000) shares of PREFERRED STOCK with a par value of FORTY CENTAVOS (P0.40) each.
x x x	x x x

The increase in the Company's ACS is being made pursuant to the approval of PMMIC and GPLH's subscription to HI Common Shares, which shall be issued from the Company's unissued shares and the increase in ACS. The increase in ACS shall be subject to the approval of the SEC of the confirmation of valuation and increase in capital stock.

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 August 10, 2022.
2. Approval of the Management Report and the Audited Financial Statements of the Company for the year ended December 31, 2022;
3. Ratification and confirmation of all acts, resolutions and proceedings of the Board of Directors, Executive Committee, Other Committees and Officers of the Company from the last Annual Stockholders' Meeting held on August 10, 2022 up to the date of the 2023 Annual Stockholders' Meeting.
4. Election of Directors for 2023-2024;
5. Appointment of External Auditor
6. Approval of the majority of the Minority Shareholders of the Issuance of Common Shares to Pan Malayan Management & Investment Corporation (PMMIC) and GPL Holdings, Inc. (GPLHI) and Waiver of the requirement of The Philippine Stock Exchange, Inc. to conduct a rights or public offering of the Common Shares subscribed by and to be issued to PMMIC and GPLHI.
 - i. Sign, execute and deliver a Share Swap Agreement with Pan Malayan Management & Investment Corporation (PMMIC) whereby HI will issue 397,703,801 Common Shares to PMMIC in exchange for the acquisition of 100% of PMMIC's outstanding shareholdings in MICO Equities, Inc. The subscription price for the shares to be issued to PMMIC is Php22.71111 per share or a total subscription price of Php9,032,294,771.93; and

- ii. Sign, execute and deliver a Share Swap Agreement with GPL Holdings, Inc. (GPLH) whereby HI will issue 295,133,148 Common Shares to GPLH in exchange for the acquisition of 100% of GPLH's outstanding shareholdings in SunLife Grepa Financial, Inc. (SLGFI) and Grepa Realty Holdings Corporation (GRHC).

The subscription price for the shares to be issued to GPLH with respect to the SLGFI shares is Php22.71111 per share or a subscription price of Php5,035,429,864.31, and for the GRHC shares, it is Php22.71111 per share or a subscription price of Php1,667,371,524.56. The total subscription price for the shares to be issued to GPLH in exchange for the SLGFI and GRHC shares is Php6,702,801,388.87.

7. Increase in the Company's Authorized Capital Stock and Corresponding Amendment to Article Seventh of the Company's Amended Articles of Incorporation

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 consistently monitored its compliance with the Securities and Exchange Commission's (SEC's) Memorandum Circulars and issuances as well as all relevant Philippine Stock Exchange's (PSE's) Circulars and issuances 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 Company's Manual on Corporate Governance.

The Company has submitted its Integrated Annual Corporate Governance Report (IACGR) for the period covering the years 2018, 2019, 2020, and 2021. For the period covering the year 2022, the Company will submit its IACGR on or before May 30, 2023.

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

In its 2018, 2019, 2020 and 2021 Integrated Annual Corporate Governance Reports (IACGRs), the Company has complied with the majority of the recommendations specified in the said Report. In 2022, the Company was compliant with all the recommendations.

(c) Deviation from the Manual on Corporate Governance

In its 2018, 2019, 2020 and 2021 Integrated Annual Corporate Governance Reports (IACGRs), the Company has complied with the majority of the recommendations specified in the said Report. In 2022, the Company was compliant with all the recommendations.

(d) Plans to Improve Corporate Governance

In order to improve the performance of the Chairperson, the Board of Directors and its officers, the Company has required them to submit an Annual Self-Assessment Questionnaire which is composed of varying statements on their roles, functions and responsibilities under the Manual on Corporate Governance. The Company in 2021 also engaged an external or third-party evaluator – GGAPP, to

assess the performance of the Chairperson and the Board as well as the Chief Risk Officer, the Chief Audit Executive and the Compliance Officer. The Company, as required under its Policy on Related Party Transactions, implemented 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, the Company and its officers during the said year. In addition, the Company also required 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 Committee on Corporate Governance, Nominations and Related Party Transactions has been monitoring their submissions.

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. With the pandemic (COVID 19), the PSE and SEC have issued numerous Circulars and Advisories which the Company have complied.

The Company continues to adhere to the leading practices on good corporate governance as well as its Manual on Corporate Governance by requiring its Chairperson, Directors and Officers to attend the annual seminar/webinars on Corporate Governance conducted by regulatory agencies such as the Securities and Exchange Commission (SEC), its accredited service providers, Philippine Stock Exchange (PSE), Anti-Money Laundering Council (AMLC) and others.

UNDERTAKING

UPON WRITTEN REQUEST OF A STOCKHOLDER, THE COMPANY UNDERTAKES TO FURNISH THE STOCKHOLDERS WITH A COPY OF THE COMPANY'S YEAR 2021 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: Office of the Corporate Secretary
Address: 9th Floor GPL Building
221 Sen. Gil J. Puyat Avenue
Makati City 1200 Philippines
Tel. No.: (632) 8815-9636
Fax No.: (632) 8816-1127
E-mail: hi_asm@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 May 31, 2023.

House of Investments, Inc.

By:



Atty. Lalaine P. Monserate
Compliance Officer



Atty. Samuel V. Torres
Corporate Secretary

SUBSCRIBED AND SWORN BEFORE ME
HIS 31 MAY 2023 AT MAKATI CITY
AFFIANT EXHIBITED TO ME HIS / HER

Doc. No. 361
Page No. 41
Book No. 57
Series of 2023

ATTY. JOSELINO N. SUCION
NOTARY PUBLIC FOR MAKATI CITY
UNTIL DECEMBER 31, 2023
2746 ZENAIDA ST. POBLACION, MAKATI
IBP NO. 257632/01/02/23
PTR NO. 956233/01/03/23
MCLE COMPLAINT NO. VII-0013028/04/14/2025
ROLL NO. 60799
APPOINTMENT NO. M-078



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 **July 21, 2023** 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 7.**

PROPOSAL	ACTION			NO. OF VOTES
	FOR	WITHHOLD	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. Buenaventura	_____	_____	_____	_____
Independent Directors:				
7. Roberto F. De Ocampo	_____	_____	_____	_____
8. John Mark S. Frondoso	_____	_____	_____	_____
9. Francisco H. Licuanan III	_____	_____	_____	_____
10. Juan B. Santos	_____	_____	_____	_____
11. Carlos G. Dominguez III	_____	_____	_____	_____
INSTRUCTIONS: <i>To withhold authority to vote for any individual nominee(s) of Management, please mark Exception box and list name(s) under.</i>				
<i>Except for Mr. Dominguez, all are incumbent members of the Board of Directors.</i>				

PROPOSAL	FOR	AGAINST	ABSTAIN
2. APPROVAL OF THE Minutes of the Annual Stockholders’ Meeting held on August 6, 2021.			
3. APPROVAL OF the Management Report and Audited Financial Statements for 2021.			
4. 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 2021, which includes, among others, those that involve the day to day operations, administrations and management of the corporate affairs.			
5. Appointment of SGV as External Auditors			
6. Approval of the majority of the Minority Shareholders of the Issuance of Common Shares to Pan Malayan Management & Investment Corporation (PMMIC) and GPL Holdings, Inc. (GPLHI) and Waiver of the requirement of The Philippine Stock Exchange, Inc. to conduct a rights or public offering of the Common Shares subscribed by and to be issued to PMMIC and GPLHI			
7. Increase in the Company’s Authorized Capital Stock and Corresponding Amendment to Article Seventh of the Company’s Amended Articles of Incorporation			

THIS PROXY, SOLICITED ON BEHALF OF THE MANAGEMENT OF HOUSE OF INVESTMENTS, INC. SHOULD BE RECEIVED BY THE CORPORATE SECRETARY ON OR BEFORE 10:00 A.M OF JULY 11, 2023, 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 OF HOUSE OF INVESTMENTS, INC. THE PROXY STATEMENT AND THE ENCLOSED PROXY SHALL BE SENT TO THE SECRETARY OF THE CORPORATION EITHER THROUGH ELECTRONIC MEANS ADDRESSED TO HI_ASM@HOI.COM.PH ON OR BEFORE 10:00 A.M. ON JULY 11, 2023. THE DULY EXECUTED HARD COPY SHOULD ALSO BE MAILED TO THE OFFICE OF THE CORPORATE SECRETARY, HOUSE OF INVESTMENTS, INC. AT THE 9/F GREPALIFE BUILDING, 219 SEN. GIL J. PUYAT AVENUE, MAKATI CITY.

IN ADDITION TO SOLICITATION OF THE PROXIES BY ELECTRONIC MEANS AND/OR 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_asm@hoi.com.ph

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, Corp. (PHINMA)	Director	August 2013 – 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.

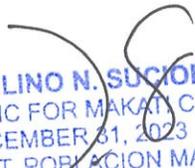
Done this 20 APR 2023 day of April 2023, at Makati City, Metro Manila, Philippines.


JUAN B. SANTOS
Affiant

20 APR 2023

SUBSCRIBED AND SWORN to before me this _____ day of April 2023 at Makati City, affiant personally appeared before me and exhibited to me his Philippine Passport No. _____, issued at _____, and valid until _____.

Doc. No. 159.
Page No. 32.
Book No. 43.
Series of 2023.


ATTY. JOSELINO N. SUCION
NOTARY PUBLIC FOR MAKATI CITY
UNTIL DECEMBER 31, 2023
2746 ZENAIDA ST. POBLACION MAKATI
IBP NO. 257632/01/02/23
PTR NO. 956233/01/03/23
MCLE COMPLAINT NO. VII-0013028/04/14/2025
ROLL NO. 60799
APPOINTMENT NO. M-078

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, Inc. and have been its independent director since June 05, 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	June 10, 2006- Present
Philippine Veterans Bank	Chairman and CEO	July 9, 2013 - Present
MoneyTree Publishing Inc.	Chairman	Feb. 10, 2007 - Present
Stradcom Corporation	Chairman	March 10, 2004 - Present
Public Finance Institute of the Philippine	Chairman	August 3, 2007 - Present
Intervest Project Inc. (IPI)	Chairman	September 20, 2013 - Present
New Rural Bank of Agoncillo (NAGON)	Chairman	June 30, 2016 - Present
British Alumni Association	Chairman	January 29, 2003 - Present
Libera International Advisory Board (London)	Chairman	July 5, 2013 - Present
Foundation for Economic Freedom	Chairman	April 18, 2012 - Present
BPI Investment Management Inc. (BIMI)	Chairman	October 8, 2014 - Present
Center for Philippine Futuristics Studies and Management Inc.	Chairman	March 1, 2014 - Present
La Costa Development	Vice-Chairman	July 9, 2007 - Present
Makati Business Club	Vice-Chairman	April 20, 2006 - Present
Centennial Group (Washington), D.C.	Founding Director	January 5, 1999 - Present
Emerging Markets Forum	Founding Director	August 1, 2005 - Present
Pacific Gaming Investments Pte. Ltd.	Independent Director	November 14, 2010 - Present
Bankard, Inc.	Independent Director	July 28, 2006 - Present
EEl Corporation	Independent Director	March 16, 2005 - Present
House of Investments	Independent Director	June 5, 2000 - Present
Beneficial Life Insurance Co., Inc.	Independent Director	October 30, 2008 - Present
Robinsons Land Corporation	Independent Director	May 28, 2003 - Present
SPC Power Corporation	Independent Director	November 25, 2002 - Present
DFNN Inc.	Independent Director	June 14, 1999 - Present

Investment & Capital Corporation of the Philippines (ICCP)	Independent Director	July 27, 2011 - Present
South Forbes City College	Director	September 10, 2016 - Present
Business Sustainable Development	Board Member	February 2, 2015 - Present
The Conference Board (New York)	Member, Global Advisory Board	May 7, 2004 - Present
Philippine Cancer Society	Member, Board of Advisers	April 6, 1998 - Present
Ramos Peace and Development Foundation	Member, Board of Trustees	February 3, 1999 - Present
SGV Foundation	Member, Board of Trustees	January 10, 1999 - Present
Trilateral Commission	Member, Asia Pacific Group Representing ASEAN	March 9, 2000 - Present
Philippine Quality & Productivity Movement Inc.	Member, Board of Advisers	August 15, 2012 - Present

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, Inc., as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
4. I am not related to any director/officer/substantial shareholder of House of Investments, Inc. as provided under Rule 38.2.3 of the Securities Regulation Code. (where applicable)

NAME OF DIRECTOR/OFFICER/SUBSTANTIAL 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, Inc. to be and independent director in House of Investments, Inc., 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, Inc. of any changes in the abovementioned information within five days from its occurrence.

Done, this 30th day March 2023, at Makati City



ROBERTO F. DE OCAMPO
Affiant

20 APR 2023

SUBSCRIBED AND SWORN to before me this 30th day of March 2023 at Makati City, affiant personally appeared before me and exhibited to me his passport with no. P5685296B valid until 26 October 2030 issued at DFA NR Central on 27 October 2020.

Doc. No. 158 :
Page No. 32 :
Book No. 13 :
Series of 2023



ATTY. JOSELINO N. SUCION
NOTARY PUBLIC FOR MAKATI CITY
UNTIL DECEMBER 31 2023
2746 ZENAIDA ST. FORLACION MAKATI
IBP NO. 257632/01/02/23
PTR NO. 956233/01/03/23
MCLE COMPLAINT NO. VII-0013028/04/14/2025
ROLL NO. 60799
APPOINTMENT NO. M-078

ANNEX "3"

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
Dusit Thani Philippines, Inc.	Director	1985 to Present
Innovative Property Solutions, Inc.	Chairman/President & CEO and Stockholder	October 2005 to Present
GeoEstate Development Corp.	Chairman/CEO and Stockholder	October 2006 to Present
Battery Park Investments Inc.	Chairman/CEO and Stockholder	May 2007 to Present
New Pacific Resources Management (SPV-AMC), Inc.	Chairman/CEO and Stockholder	July 2007 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		

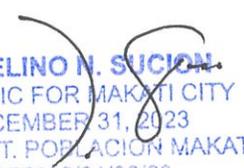
5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
6. I confirm that I am not engaged in government service or affiliated with any government agency or government owned and controlled corporation.
7. I shall faithfully and diligently 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 20 APR 2023 day of April 2023, at Makati City, Metro Manila, Philippines.


FRANCISCO H. LICUANAN III
Affiant

SUBSCRIBED AND SWORN to before me this 20 APR 2023 day of April 2023 at Makati City, affiant personally appeared before me and exhibited to me his Philippine Passport No. P2052028B, issued at DFA Manila, valid until 25 April 2029.

Doc. No. 157;
Page No. 02;
Book No. 43;
Series of 2023.


ATTY. JOSELINO N. SUCION
NOTARY PUBLIC FOR MAKATI CITY
UNTIL DECEMBER 31, 2023
2746 ZENAIDA ST. POBLACION MAKATI
IBP NO. 257632/01/02/23
PTR NO. 956233/01/03/23
MCLE COMPLAINT NO. VII-0013028/04/14/2025
ROLL NO. 60799
APPOINTMENT NO. M-078

ANNEX "4"

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
LEX Services, Inc.	Director	January 2019 – Present
Ministry of Foreign Affairs Czech Republic	Honorary Consul in Cebu	December 2018 – Present
FSG Technology Ventures, Inc.	President / Director	August 2017 – Present
Spektacularis, Inc.	Vice President / Director	February 2016 – Present
Digitrade Enterprise, Inc.	Chairman / President	September 2015 – Present
Star Two Holdings, Inc.	President / Director	March 2014 – Present
Onshore Strategic Assets (SPV-AMC), Inc.	President / Director	March 2014 – Present
Star Asset Management NPL, Inc.	President / Director	March 2014 – Present
Star Asset Management ROPOAS, Inc.	President / Director	March 2014 – Present
Star Two (SPV-AMC), Inc.	President / Director	March 2014 – Present
Star Asset Management Services, Inc.	President / Director	March 2014 – Present
Star TechPh Management and Consultancy Services, Inc.	President / Director	March 2014 – Present
Filcommerce (Singapore) Holdings, PTE. LTD.	Director	July 2014 – 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
M & S Holdings, Inc.	President / Chairman	April 2005 – 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.

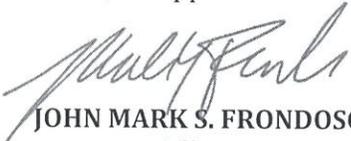
4. I am related to the following director/officer of HOUSE OF INVESTMENTS, INC. other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code:

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.

20 APR 2023

Done this ____ day of April 2023 at Makati City, Metro Manila, Philippines.


JOHN MARK S. FRONDOSO
Affiant

20 APR 2023

SUBSCRIBED AND SWORN to before me this _____ day of April 2023 at _____, 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. 120
Page No. 32
Book No. 43
Series of 2023.


ATTY. JOSELINO N. SUCION
NOTARY PUBLIC FOR MAKATI CITY
UNTIL DECEMBER 31, 2023
2746 ZENAIDA ST. POBLACION MAKATI
IBP NO. 257632/01/02/23
PTR NO. 956233/01/03/23
MCLE COMPLAINT NO. VII-0013028/04/14/2025
ROLL NO. 60799
APPOINTMENT NO. M-078



05 May 2023

THE SECURITIES AND EXCHANGE COMMISSION
7907 Makati Avenue, Salcedo Village
Bel-Air, Makati City 1209

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 21 July 2023 are government employees.

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

Very truly yours,

A handwritten signature in black ink, appearing to read "Samuel V. Torres", written over a horizontal line.

SAMUEL V. TORRES
Corporate Secretary

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_asm@hoi.com.ph, by July 11, 2023, 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 June 21, 2023
- b. When to Register – Registration period shall be from July 8, 2022 at 8:00 AM to July 11, 2023 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 together with a scanned or digital copy of the documents listed below, to the following email address: hi_asm@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 of the 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 registration notification, information and documents required to be submitted by the Stockholder, as provided for above, shall be reviewed and evaluated whereby the identity and number of shares of the stockholder shall be ascertained and verified. The validation of the information provided, the documents submitted and the propriety of the stockholder's registration shall be completed by the Company within three (3) business days from receipt of the registration notification and required information and documents.

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_asm@hoi.com.ph, on or before July 11, 2023.

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_asm@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			NO. OF VOTES
	FOR	WITHHOLD	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. Buenaventura	_____	_____	_____	_____
Independent Directors:				
7. Roberto F. De Ocampo	_____	_____	_____	_____
8. John Mark S. Frondoso	_____	_____	_____	_____
9. Francisco H. Licuanan III	_____	_____	_____	_____
10. Juan B. Santos	_____	_____	_____	_____
11. Carlos G. Dominguez III	_____	_____	_____	_____
INSTRUCTIONS: <i>To withhold authority to vote for any individual nominee(s) of Management, please mark Exception box and list name(s) under.</i> <i>Except for Mr. Dominguez, all are incumbent members of the Board of Directors.</i>				

PROPOSAL	ACTION		
	FOR	AGAINST	ABSTAIN
APPROVAL OF THE MINUTES OF THE ANNUAL STOCKHOLDERS’ MEETING HELD ON AUGUST 10, 2022.			
APPROVAL OF THE MANAGEMENT REPORT AND AUDITED FINANCIAL STATEMENTS FOR 2022.			
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 2022.			
APPOINTMENT OF SGV AS EXTERNAL AUDITORS.			
APPROVAL OF THE MAJORITY OF THE MINORITY SHAREHOLDERS OF THE ISSUANCE OF COMMON SHARES TO PAN MALAYAN MANAGEMENT & INVESTMENT CORPORATION (PMMIC) AND GPL HOLDINGS, INC. (GPLHI) AND WAIVER OF THE REQUIREMENT OF THE PHILIPPINE STOCK EXCHANGE, INC. TO CONDUCT A RIGHTS OR PUBLIC OFFERING OF THE COMMON SHARES SUBSCRIBED BY AND TO BE ISSUED TO PMMIC AND GPLHI			
INCREASE IN THE COMPANY’S AUTHORIZED CAPITAL STOCK AND CORRESPONDING AMENDMENT TO ARTICLE SEVENTH OF THE COMPANY’S ARTICLES OF INCORPORATION.			

DATE: _____

STOCKHOLDER’S NAME: _____

STOCKHOLDER’S SIGNATURE: _____

NOTE: Please submit this form on or before July 11, 2023 and accompanied by any government issued identification.

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, 2022 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

1.1 Business Development

House of Investments, Inc. ("House of Investments" or "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: Automotive Business, Education, Construction and Property & Property Services. Its portfolio investments are in Pharmaceuticals, Energy, and Deathcare. A detailed discussion of each of the business segments of House of Investments are provided in the next section of this report.

1.2 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 operating results compared to targets and prior year performance, House of Investments is able to direct corporate strategy and operations.

In particular, management watches operating metrics very closely and how these would 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.

The Company's 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 generate organic growth; or buying entire companies or controlling/significant minority stakes in companies which show high growth potential.

CORE BUSINESS UNITS:

CARS BUSINESS

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

The Company's Honda full-service dealerships are located in Quezon Ave. and Manila; it also operates a service center in Tandang Sora. House of Investments also owns and operates Honda Cars Greenhills through its wholly-owned subsidiary HI Cars, Inc. Meanwhile, the Company's Isuzu dealerships are in Manila, Commonwealth, and Leyte and its Geely dealership is in Manila.

House of Investments also holds a minority stake in Sojitz G Auto Philippines Corporation which owns and operates the Geely distributorship, with a flagship dealership in North Edsa and a dealership in Makati.

THE CONSTRUCTION SECTOR

EI CORPORATION AND SUBSIDIARIES

House of Investments holds a majority stake in EEI Corporation (“EEI”). EEI was founded in 1931 as machinery and mills supply house for the mining industry. Over the past 90 years, aside from broadening the range of industrial machinery and systems it distributes, EEI 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.

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.

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.

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.

EEI also owns the following major subsidiaries:

- **Equipment Engineers, Inc.** is engaged 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 also in supply management services.
- **EEI Power Corporation** is engaged in retail electricity supply and in the supply of electrical equipment and services, as well as electro-mechanical contracting works. It also has investments in renewable energy.
- **EEI Construction and Marine, Inc.** is engaged in structural fabrication works and light steel construction works such as storage tanks, pressure vessels, ducts and pipes.
- **EEI Realty Corporation** is engaged in the development of land, housing, and other properties.
- **EEI Carga** is engaged in the operation of a digital logistics platform that enables shippers to deliver their products through various transportation options available in the platform.
- **EEI Limited and Subsidiaries** provides labor supply and project management and supervision services.
- **GAIC Group** provides manpower services to both local and foreign markets.
- **JPSAI** is a provider of formworks and scaffolding.
- **LearnJP** operates a human resource development center that provides services for the improvement in language proficiency, such as in English, Filipino, Japanese and other foreign languages, and related academic or non-academic areas including skills development and cultural orientation to foreigners, locals and other interested individuals.
- **Biotech JP Corporation** is engaged in the manufacturing of specialized food products.

THE EDUCATION SECTOR

iPEOPLE, INC. AND SUBSIDIARIES

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 wholly owns Mapúa University, which owns three other operating schools: Malayan Colleges Laguna, Malayan Colleges Mindanao and Malayan High School of Science.

With the merger with AC Education, Inc. (“AEI”) that took effect on May 2, 2019 where iPeople was the surviving entity, iPeople has become one of the leading education groups in the country. 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”).

House of Investments and its affiliates together with Ayala Corporation controls 51.3% and 33.5%, respectively.

The operating schools under the iPeople network are as follows:

- (1) **Malayan Education System, Inc. (Operating under the name of Mapúa University).** Founded in 1925 by Don Tomas Mapúa, an architecture graduate of Cornell University in the United States and the first registered architect of the Philippines, Mapúa University is the country's premier engineering and technological university. It unceasingly fosters its long tradition of leading-edge excellence in various fields of studies, such as Engineering and Sciences, Architecture and Design, Information Technology, Business and Management, Communication and Media Studies, Health Sciences, and Social Sciences and Education, and provides students with a learning environment that will make them globally competitive.

In 2022, Mapúa University realized its vision of being one of the best universities in the world after debuting in the Times Higher Education World University Rankings. Ranked 1501+, Mapúa is one of only four Philippine higher education institutions that made it to the rankings. It placed second in the research category among all Philippine schools and in three subject areas—Computer Science (801+), Engineering (1001+), and Physical Sciences (1001+).

The Quacquarelli Symonds (QS) Asia University Rankings 2023 named Mapúa a top 100 university in Southeast Asia (#88) and the whole Asian region (#551-600).

It also received a 4 Stars rating for excellence from QS Intelligence Unit under its QS Stars Rating System. The QSIU is an independent organization providing global intelligence in line with the higher education sectors around the world. It received a 5 Stars rating for Employability, Facilities, and Social Responsibility; a 4 Stars rating for Teaching, Inclusiveness, and Program Strength for its Computer Science program; and a 3 Stars rating for Internationalization and Academic Development.

Mapúa is the first school in Southeast Asia to obtain accreditation for its programs from ABET, a US-based non-profit, non-governmental agency that accredits college and university programs in applied and natural science, computing, engineering, and engineering technology. Mapúa has the most ABET-accredited programs for a single campus in the country, with 11 of its engineering programs accredited by ABET's Engineering Accreditation Commission (EAC) and three of its computing programs accredited by ABET's Computing Accreditation Commission (CAC).

Mapúa also has the most number of engineering programs (Chemical Engineering, Civil Engineering, Computer Engineering, Electrical Engineering, Electronics Engineering, Environmental and Sanitary Engineering, and Mechanical Engineering) recognized as Centers of Excellence by the Philippine Commission Higher on Education. It is also a recognized Center of Excellence for Information Technology Education in the country, with program offerings Computer Science, Information Systems, and Information Technology.

The University's strong academic foundation ensures its graduates are of high caliber, taking lead roles in the global arena. To date, it has produced 399 topnotchers across 11 of national professional licensure examinations since 2000. Its students are also prepared for the world of practice through their exposure to international exchange programs, international on-the-job training, international plant visits, conferences, and research, development, and innovation undertakings, which are achieved through the University's continuous forming of global linkages with prestigious companies and universities. In fact, in 2022, the University unveiled its partnership with Arizona State University, America's most innovative university, through Cintana Education, to expand the access of Filipino students to high-quality international education in business and health sciences.

A recognized leader in digital education and online learning in the Philippines and one of the most digital-ready universities in Asia, Mapúa continuously provides enriching and engaging learning experiences to its students using the latest in educational technology, enhancing its capability for effective teaching and learning in a digital environment.

Through Mapúa Ubiquitous Online Experience (ÚOx), an award-winning initiative in delivering fully online programs through its very own platform, Cardinal EDGE or Education in a Digital and Global Environment, Mapúa delivers on its commitment to developing and bolstering its world-class quality of education, reaching more learners locally and across the globe through its online learning space. To date, it offers six Commission on Higher Education-approved fully online bachelor's degree programs in engineering and information technology and nine fully online master's degree programs in engineering and information technology.

- (2) **Mapúa Malayan Colleges Laguna (Mapúa MCL)** is a tertiary institution located in Cabuyao, Laguna, offering 22 baccalaureate programs and one master's program. Its degree-offering colleges and institute include the Mapúa Institute of Technology at Laguna, the E.T. Yuchengco College of Business, the College of Computer and Information Science, the College of Arts and Science, the Mapúa-PTC College of Maritime Education, and the Institute for Excellence in Continuing Education and Lifelong Learning. The institution started with 860 students in 2007 and now has over 5,000 students in both college and Senior High School (SHS).

Mapúa MCL prides itself on its quality education, with seven engineering programs being PTC-ACBET accredited, and its Marine Engineering (MarE) and Marine Transportation (MT) programs receiving recertification from the Belgian Maritime Inspectorate. Mapúa MCL was also granted ISO21001 certification and has passed the DNV routine audit in December 2021 and November 2022. The institution has consistently produced graduates with excellent performances in licensure and certification exams, local and national competitions, and quiz bowls, ranking as the number one private school in CALABARZON and the 10th best school in the Philippines.

In its pursuit of continually improving 21st-century education, Mapúa MCL has been awarded the Blackboard Catalyst Award for Leading Change in 2017 and Blackboard Award for Professional Development in recognition of its Opportunities for Lifelong (#SamaOLL) Project in 2020. Mapúa MCL was also granted a three-star overall rating from the Quacquarelli Symonds (QS) Star Rating System from the United Kingdom in 2020, receiving a five-star rating for Employability, a four-star rating for Facilities, and a three-star rating for Social Responsibility and Inclusiveness. Mapúa MCL was awarded the most outstanding school in the Laguna Excellence Awards in 2021 and was granted membership in the Philippine Association of Colleges and Universities in September 2022.

Mapúa MCL is envisioned as a Center of Excellence for science and technology education in Southern Luzon. With its excellent facilities, technologically advanced, and IT-integrated curricula, the institution seeks to meet the challenges of globalization to produce graduates who can exercise their skills in the global labor market. Given its Autonomous Status granted by CHED, Mapúa MCL has offered new programs, including B.S. Business Administration and B.S. Psychology, starting Academic Year 2020-2021.

- (3) **Mapúa Malayan Colleges Mindanao (MMCM)** was established in 2015 to offer a Mapua education in Davao and Mindanao. Located along General Douglas MacArthur Highway in Matina, Davao City, MMCM opened its doors to senior high school and college students on July 2, 2018. The institution is committed to transforming students into globally competitive professionals that are highly preferred by industries locally and abroad. MMCM stands out from other colleges and universities in Mindanao due to its learner-centered outcomes-based education, blended online and face-to-face learning sessions, industry partnerships, Mindanao-centric learning, and advanced learning facilities.

MMCM initially offered 14 baccalaureate programs in engineering, architecture, arts and sciences, information science, business, and complete senior high school academic and technical-vocational tracks, and it successfully reached its target number of enrollees in its first year of operation. Since then, MMCM has continued to expand its program offerings, opening

three additional programs under the Alfonso T. Yuchengco College of Business in the 2019-2020 school year and offering its first two health sciences programs, BS in Psychology and BS in Biology, in 2021. In the 2021-2022 school year, MMCM was approved to offer Junior High School, completing its high school program offerings from Grade 7 to 12. As of 2022, MMCM has over 5,000 enrollees in its 19 college programs together with the JHS and SHS departments. Additionally, the institution held its first Commencement Exercises for its first batch of college graduates in June 2022.

In 2022, MMCM was relaunched as Mapúa Malayan Colleges Mindanao after receiving its amended articles of incorporation from the SEC on April 12, 2022. The institution has recently partnered with Arizona State University (ASU) and joined the Cintana Alliance to offer high-quality international education in health sciences and business programs. Through this partnership, MMCM students will have opportunities for international exposure through short-term immersive programs, semester exchanges, pathways, and summer programs, allowing them to develop into highly skilled, globally competent professionals and create opportunities for them in the country and abroad. With the changing demands of industries and the world constantly evolving, MMCM remains committed to its mission of shaping globally competitive professionals.

- (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 in providing 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 educators. 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. 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. In 2020, APEC Schools offered two new programs suited for the education's new normal: APEC Agile Distance Learning program and APEC Flex Homeschool program to help students continue with their education despite the pandemic. In December of the same year, Google recognized APEC Schools as a Google Reference School - the first and only in the Philippines. Most students have gone on to top colleges and universities, while 15% have gone on to be employed within three months of graduation.

In December 2022, the BOD and Stockholders of NTC approved the proposed merger of NTC and APEC, with NTC as the surviving entity. Both entities consider it to be in their best interests to merge into a single corporation to allow them to better achieve their goal of transforming lives through innovative education at affordable prices. Both entities are subsidiaries of IPO

The merger is still subject to the filing of the relevant applications and obtaining the requisite regulatory approvals, including the endorsement of the Commission on Higher Education (CHED) and Department of Education (DepEd), and the approval of the Philippine SEC of the merger application.

PROPERTY & PROPERTY SERVICES

ATYC, INC.

House of Investments, Inc. wholly owns ATYC, Inc. which was incorporated in 2022. In September 2022, ATYC, Inc completed the purchase of A.T. Yuchengco Centre from Rizal Commercial Banking Corporation.

SAN LORENZO RUIZ INVESTMENT HOLDINGS AND SERVICES, INC.

In December 2020, House of Investments acquired 100% of the issued and outstanding capital stock in San Lorenzo Ruiz Investment Holdings & Services, Inc. San Lorenzo owns a property within the Makati Central Business District which it plans to develop into a mix-use commercial complex that features an iconic design, a network of open spaces, public art facilities, and green technology.

RCBC REALTY CORPORATION

House of Investments owns a minority stake in RCBC Realty Corporation, which owns the YGC flagship property, the 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 Authority.

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.

LANDEV CORPORATION

House of Investments, Inc. wholly owns Landev Corporation. Landev Corporation is primarily engaged in property management and project management services. Among its large contracts are:

- Property management for RCBC Plaza, A.T. Yuchengco Corporate Centre, Y Tower 1 & 2, and ETY Building;
- Facilities management for RCBC branches nationwide;
- Project management for the construction of the new Mapúa campus and The Yuchengco Centre, both in Makati,
- Comprehensive security services to leading institutions like RCBC Plaza, A.T. Yuchengco Centre, and all RCBC branches through its subsidiary Greyhounds Security and Investigation Agency.

PORTFOLIO INVESTMENTS:

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 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, Inc.

EEI POWER CORPORATION is engaged in retail electricity supply and in the supply of electrical equipment and services, as well as electro-mechanical contracting works.

PHARMACEUTICALS

HI-EISAI PHARMACEUTICALS, INC. (“HEPI”) is a joint venture between House of Investments and the Eisai Co. of Japan with the Company owning 50%. HEPI imports pharmaceuticals from Japan, which it sells in the Philippine market through established drug distributors.

DEATHCARE

MANILA MEMORIAL PARK CEMETERY, INC. (“MMPCI”) is the recognized market leader in death care services. It sells memorial lots and owns, operates, and maintains memorial parks in Sucat, Quezon City, Bulacan, Laguna, Cavite, Cebu, Davao. House of Investments owns a material stake in MMPCI.

LA FUNERARIA PAZ-SUCAT, INC. (“LFPSI”) provides mortuary services to the bereaved and their loved ones. House of Investments, together with MMPCI, jointly owns LFPSI.

OUR RISK MANAGEMENT

House of Investments, Inc. (HI) as an operating, holding and management company with significant involvement in a number of industries through its various divisions, subsidiaries, associates, joint ventures, and managed companies is exposed to risks that are particular to its nature of operations and the environment in which it operates. HI’s current core business is organized into four segments; construction, education, automotive, and property management services. HI believes that risk management is the responsibility of all stakeholders within the Group. As such, risk management is integrated into the businesses’ organizational activities and processes, embedded into the regular functions and operational requirements to achieve the corporate goals.

The Board Risk Oversight Committee (BROC) assists the Board of Directors in fulfilling its corporate governance functions on risk management. The BROC is responsible for the oversight of the company’s enterprise risk management system. The Chief Risk Officer reports to the BROC developments and matters relevant to risk management. Management, through the company’s Risk Management Council, is accountable for managing the associated risks. The management team of the subsidiaries are responsible for managing their respective risk exposures and reports periodically to HI.

HI reviews and conducts a group-wide risk assessment periodically, monitors the identified risks to ensure that these are current and regularly taken into account. Following are the key risk factors that may impact the objectives of the Company.

For the Holding Company

1. Reputation

The inability of the Company to maintain and failure protect its reputation may adversely affect its objective of creating and growing its value for its stakeholders. The Company's reputation may be closely tied to the performance and reputation of its subsidiaries. Negative publicity or poor performance by the subsidiaries may possibly damage the Company's reputation which may impact stakeholder confidence and future business opportunities. HI communicates its vision, mission, core values, and objectives to all its stakeholders and ensures all stakeholders are mindful with certainty of the company DNA in accomplishing the corporate objectives. The HI senior management participates in the Group's strategic planning, management, and operational meetings to ensure alignment with the holding company.

2. Information and Cyber Security/Safety

The failure to protect the Company from data breaches and/or the inability of the information systems to adequately protect the critical data and infrastructure may adversely affect stakeholders' confidence, disrupt operations, and may result to business losses and reputational damage. The Company may handle sensitive stakeholder data which can lead to privacy and cybersecurity risks such as data breaches and cyber-attacks. To mitigate the risks, HI directs groupwide investments in cybersecurity resources and implementation of strong data security measures. HI ensures strict compliance with the data privacy act and the company's information and communications technology security policy. HI conducts periodic review and update of its cybersecurity policies and information campaign through cybersecurity awareness programs.

3. Talent

The probability that a critical role will become vacant and cannot be satisfactorily filled may negatively affect the Company's continuity of its strategic imperatives and/or products and services standards. The success of the Company depends on the quality and effectiveness of the leadership and employees and may face challenges in attracting and retaining top talent, HI established programs in building key competencies and capability, as well as implementing succession planning to address the exposures. The Company continue to improve on its employee engagement through activities and programs, including but not limited to individual development and career growth plan.

4. Market

The Philippine and Global economic condition may impact the Company's investment and growth commitments to its stakeholders. The uncertainty of the economic condition may affect the performance of the Company's subsidiaries. HI is cognizant that pursuing business opportunities by expanding its footprint is critical to sustain its growth commitments. HI considers investments anchored on the company's management expertise and available resources and uses acceptable financial modelling and testing considering its investment commitments. Monitoring the market risks is imbedded in the normal course of business and necessary measures are implemented to counter the potential impact.

For the Group

1. Business Resiliency

The inability to bring the Companies out of operational disruptions, resume critical processes, and restore normal operations may result to service breach and financial losses. The Group can be affected by natural disasters, may be vulnerable to cyber threats due to the increasing reliance on digital technologies, and can be affected by outbreaks of infectious diseases which may cause damage to facilities, may impact employee, other stakeholders, and workplace safety, and disrupt business operations. The Group is committed to address risks that may cause disruptions

to its operations. Measures are put in place to mitigate the risks as provided for in the Group's crisis management and business continuity plans and disaster risk management program with the end objective of bringing back the business activities to normal operations as soon as possible. Further, the Group maintains and continues to invest in system and software applications, online platforms to improve the Group's ability to provide services remotely and meet stakeholders' expectations. Where applicable and appropriate, specific insurance is obtained to help reduce the financial impact of the operational disruptions and damages.

2. Reputation

The inability of the Companies to maintain or failure to protect respective reputations may adversely affect objectives of creating and growing its value for its stakeholders. Negative publicity or poor performance could damage the Company's reputation and lead to business losses and may impact stakeholder confidence. The Group communicates its vision, mission, core values, and objectives to all its stakeholders and ensures all stakeholders are mindful with certainty of the company DNA in accomplishing the corporate objectives. The Group has stakeholder action centers to address concerns, conducts surveys and social listening to assess reputational concerns, and implements social media policy to ensure appropriate community behavior.

3. Information and Cyber Security/Safety

The failure to protect the Companies from data breaches and/or the inability of the information systems to adequately protect the critical data and infrastructure may adversely affect stakeholders' confidence, disrupt operations, and may result to business losses. The Companies handle sensitive stakeholder data which can lead to privacy and cybersecurity risks such as data breaches and cyber-attacks. To mitigate the risks, the Group ensures strict compliance with the data privacy act and the Group's information and communications technology security policy. The Group conducts periodic review and information campaign through cybersecurity awareness programs. The Group also maintains and invests in cybersecurity resources and implements strong data security measures.

4. Talent

The probability that a critical role will become vacant and cannot be satisfactorily filled may negatively affect the Companies' continuity of its strategic imperatives and/or products and services standards. The success of the Companies depends on the quality and effectiveness of the leadership and employees and may face challenges in attracting, developing, and retaining top talent. The Group established programs in building key competencies and capability, as well as implementing succession planning to address the exposures. In addition, the Group maintains and continues to improve its employee engagement through activities and programs, including but not limited to individual development plan.

5. Market

The Philippine and Global economic condition may impact the Companies' investment and growth commitments to its stakeholders, the uncertainty of which may affect the performance of the Group. The Group is cognizant that pursuing business opportunities is critical to sustain its growth commitments. The Group considers opportunities anchored on the company's management expertise and available resources. Monitoring the market risks is imbedded in the normal course of business and necessary measures are implemented to counter the potential impact, including but not limited to diversification. The Group partners with business organizations to cushion the potential financial impact to relevant stakeholders, implements process improvements and other cost-saving measures, strengthens its online platforms to provide internet-based services, and affordable distance learning programs.

6. Other risks for the Companies and the Group

Other risks that are inherent to the operations of the Companies and the Group which may expose the Group include the following.

7. Regulation

The Companies respective businesses may be impacted by changes in laws and policies or the introduction of new laws or regulations which may affect its business operations and financial results. Non-compliance with existing regulations, could result in fines, legal action, or reputational damage. The Group, operating largely in regulated industries, manages these risks by monitoring emerging laws and regulations and industry developments affecting or may affect its business. The Group takes the position of proactively participating in consultations and dialogues with pertinent regulatory agencies and organizations relevant to its operations strengthening its capability to anticipate and adapt to potential changes, aiming to attain thought leadership status in the industry where it operates.

8. Technology Risk

The Companies' business may be impacted by technological innovations and/or changes which may affect its operations, competitiveness, and financial results. The industries where the Group operates are undergoing rapid technological changes which may significantly alter the way the Group's businesses operate. Failure to adopt new technologies and adapt to changing market conditions risk falling behind competition. The Group continue to invest in relevant technologies, systems improvements, and in digitalizing its key business processes.

9. Competition

The inability to understand and face intense competition and/or anticipate emerging competitors may place the Group in a disadvantageous position resulting to business losses. To respond to these risks, the Group monitors both competition and market trends, rethinking strategies with disruptive innovation, diversification, differentiation, and leadership in mind maximizing the use of existing resources and making the necessary investments where appropriate. The Group's strong industry partnership and collaboration provides insights into the future and potential requirements.

10. Workplace Safety and Security

The inability to provide a safe environment and/or operationalize adequate workplace security and preventive measures may adversely affect the Group's reputation and operations which could lead to negative stakeholders' actions and financial losses. The Group manages the risks by implementing a workplace security program, ensuring strict compliance with regulatory agencies' requirements on safety and security in the workplace. The Group maintains and continually improves appropriate processes and equipment aimed at securing its facilities and stakeholders.

11. Operational

The inefficiencies and/or failure of internal processes and/or systems, non-compliance with policies and regulatory requirements, human errors in the conduct of the Group's daily activities may result to financial losses. To manage these risks, the Group ensures that all operating units have efficient and effective processes and support systems to meet and deliver its objectives. Further, the Group periodically assesses existing controls and compliance to ensure its continued relevance and effectiveness by conducting periodic operational audit.

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 Automotive businesses use 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 December 31, 2022.

PROPERTY DESCRIPTION	DATE ACQUIRED	TYPE
HOUSE OF INVESTMENTS, INC.		
Quezon Avenue	2002	Industrial
SAN LORENZO INVESTMENT HOLDINGS AND SERVICES, INC.		
Sen. Gil Puyat Ave., Makati	2019	For development
ATYC, INC.		
Bonifacio Global City, Taguig	2022	Office/Commercial
EEI CORPORATION		
Itogon, Benguet	1985	Residential (Monterazza)
Nueva Ecija	1997	Agricultural
Bulacan	1997	Agricultural
San Jose, Sta Maria, Bulacan	2005	Industrial
Minuyan, San Jose del Monte, Bulacan	2005	Agricultural
Minuyan, Norzagaray, Bulacan	2005	Cogon/Agricultural
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, Benguet	2006	Residential
Irisan, Benguet	2009	Residential
GULF ASIA INTERNATIONAL CORPORATION		
General Trias, Cavite	1998	Residential
MALAYAN EDUCATION SYSTEM, INC.		
Intramuros, Manila	1999	School campus
Intramuros, Manila	2013	Vacant lot for expansion
Sta. Cruz, Makati City	2018	School Campus
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
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 NUEVA 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

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	Commonwealth, QC	2024

PROPERTY DESCRIPTION	LOCATION	LEASE EXPIRATION
Service Center	Tandang Sora, QC	2028
Dealership	Leyte	2024
Warehouse	Leyte	2023
EEI		
Industrial (EEI Home Office)	Quezon City	Annually, every December
Industrial	Tanza, Cavite	Annually, every May
Industrial (Steel Fabrication)	Bauan, Batangas	5 Years, Dec 2027
Industrial/Commercial (Clark)	Clark, Pampanga	66 Years until 2085
HONDA CARS KALOOKAN, INC.		
Dealership	Mandaluyong	2028
AFFORDABLE PRIVATE EDUCATION CENTER, INC.		
Office	Head Office	2024
School campus	V. Luna	2030
School campus	North Fairview	2032
School campus	C. Raymundo	2032
School campus	Marikina Heights	2032
School campus	Grace Park West	2027
School campus	Tondo	2025
School campus	Muntinlupa	2027
School campus	Sta. Rita Sucat	2032
School campus	Dasmariñas	2032
School campus	Bacoor-Molino	2034
School campus	Roxas Boulevard	2029
School campus	Pateros	2033
School campus	Ortigas Ext., Cainta	2030
School campus	Calumpang-Annex	2028
School campus	JRU Lipa	2024
School campus	Las Pinas	2031
School campus	Concepcion Dos	2026
School campus	New Manila	2027

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 number of holdings it has in these subsidiaries.

Item 3 – Legal Proceedings

House of Investments, particularly Dealerships and Security Agency, is involved in certain disputes that arise in the ordinary conduct of business such as labor disputes and products-related disputes, pending before the NLRC and DTI, respectively. It also has pending criminal cases in courts of general jurisdiction filed against erring employees. The Company's management believes that these suits will ultimately be settled and/or decided in its favor and will not adversely affect the subsidiary's financial position and operating results.

EEI has various cases (civil, criminal and labor) filed against the Company. Any decision on these cases, for or against the Company, will not have any material effect on the Company's operations and/or finances.

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 subsidiary's financial position and operating results.

There are no material pending legal cases against the Corporation that are being contested by the Corporation and its legal counsels. The final resolution of these non-material cases however will not have material impact on the financial position of the Corporation.

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

There were no matters submitted to the vote of the security holders of House of Investments during the Annual Stockholders Meeting held on August 10, 2022.

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

CONSOLIDATED RESULTS

Year 2022 vs. 2021

INCOME STATEMENT

Results of Operations

For the period ending 31 December 2022, the Group registered a net income of P1,724.34 million, which is 6% higher than last year's net income of P1,627.77 million.

Consolidated revenues were slightly higher at P23,905.29 million compared to previous year's P23,599.07 million. Sales of services, which pertain mainly to revenues generated by the Construction sector, dropped from P16,667.31 million to P15,462.41 million. This is primarily due to completion of its major projects. On the other hand, sales from Automotive sector registered 26% growth, while revenues from Education sector grew by 18%, due to higher enrollment.

Cost of sales and services dropped by 2% due to significant reduction in the costs of the Construction sector. Whereas, General and administrative expenses (GAE) increased by 14%. The increase is attributable to higher (a) utilities, resulting from resumption of face-to-face classes and more employees reporting back to the offices; (b) security, janitorial and other services, which are attributable to increase in manpower and increase in daily wage rates; (c) advertising and promotions expense, as the group intensified its marketing activities; and (d) commissions and direct selling expenses related to the increase of sales in the automotive sector.

Increase in other income pertains mainly to gain on sale of property and reversal of prior period provisions.

Equity in net earnings of associates dropped from P1,430.34 million to P425.03 million this year, primarily due to losses incurred by the foreign affiliate of the Construction sector.

Interest and finance charges were down from P708.37 million to P669.70 million, due to lower level of debts compared to last year.

Financial Position

Total consolidated assets of the Group stood at P65.23 billion from P57.19 billion in December 2021. Total current assets went down to P19.87 billion from P24.90 billion. Cash and cash equivalents decreased mainly due to payment of loans and dividends to preferred shareholders of the Construction sector. Contract assets decreased due to conversion of production into billed receivables. Receivable from related parties increased due to charges to a foreign affiliate relative to recruitment costs. Prepaid expenses and other current assets increased due to additional advances to suppliers and subcontractors of the Construction sector.

Total noncurrent assets increased from P32.29 billion to P45.35 billion, mainly due to the acquisition of property investment located in Taguig City. Equity investments in fair value through other

comprehensive income increased due to higher market value of quoted securities. Increase in investments in associates and joint ventures pertains mainly to equity earnings intake as of the period. Increase in the right-of-use assets pertains to new leased property. Retirement asset increased as a result of the cost-cutting measures implemented by the Construction sector. Increase in other non-current assets pertains to the non-current portion of the unapplied certificates of creditable withholding taxes, and contract assets from retentions on projects of Construction group.

Total consolidated liabilities increased from P27.08 billion to P29.36 billion.

Total current liabilities went up from P17.56 billion to P21.53 billion. The increase pertains primarily to the loans taken out by the Property sector to finance the purchase of property in Taguig.

Contract liabilities pertain to unearned tuition fees and current construction contract obligations, which are reduced as the corresponding revenue is recognized during the period. The net increase for the period pertains to advances received by the Construction sector for its new projects. Net movement in lease liabilities was due to the additional lease agreement entered into by the Construction sector.

Total noncurrent liabilities were reduced from P9.52 billion to P7.83 billion, as the Group continuously settles its debts.

Contract liabilities net of current portion refers to contract obligations of the Company for the projects classified as non-current with completion date beyond one year after balance sheet date. Accrued retirement liability dropped from P0.22 billion to P0.20 billion. Reduction in other non-current liabilities pertains primarily to reclassification of retention payables of Construction sector to current.

Total consolidated equity increased to P35.86 billion from P30.12 billion, while total consolidated retained earnings increased to P12.25 billion from P11.08 billion in December 2021.

Year 2021 vs. 2020

INCOME STATEMENT

Results of Operations

For the period ended December 2021, the Group rebounded from its net loss in previous year, generating a net income of P1,627.77 million.

As the government starts to ease the lockdown restrictions, the Group's construction and automotive segments slowly regained momentum. Both segments showed positive bottom line results compared to net losses the previous year. On the other hand, the education segment reported continuous improvement in net results, surpassing its pre-pandemic results by almost three times of its 2019 net income. Kindly refer in Notes to FS 23 and 25

Costs of sales and services, as well as the administrative expenses of the Group dropped by 9%, respectively mainly due to cost reduction programs adapted by the Group. The Group temporarily suspended the hiring of new employees during the pandemic which resulted to significant reduction in its personnel-related costs. The significant drop in depreciation is attributable to the closed Car dealerships in 2020. (Comparative results of the costs of sales and services, as well as the general and administrative expenses may be found in notes 25 to 29 of the attached 2021 audited financial reports.)

Equity in net earnings of associates and joint ventures grew from P1,368.43 million to P1,430.35 million, primarily attributable to improved results these portfolio investments, i.e., higher revenues which resulted to better net income compared to the previous year.

Other income increased from P128.77 million to P191.90 million, mainly due to unrealized foreign exchange gain recognized by the construction segment compared to losses last year. In 2020, EEI recognized losses due to unfavorable exchange rate upon collection of advances from an affiliate compared to the exchange rate used at initial recognition of the said advances.

Interest and finance charges were lower, from P712.57 million to P708.37 million primarily due to lower borrowing rates.

Financial Position

Total assets stood at P57,193.76 million from P51,885.48 million in 2020.

Increase in cash and cash equivalents was largely due to collection of receivables from clients and associates by P1.6 billion, net proceeds from bank loans by P0.4 billion, and from the construction segment's issuance of preferred shares in December 2021 which resulted to net proceeds of P5.96 billion. Reduction in receivables was due to collection from clients and customers. Contract assets increased by 15%, largely attributable to new projects of the Construction Company such as Grand Hyatt Residences, Metro Manila Subway, Malolos-Clark Railway, to name a few. Receivables from related parties increased from P53.42 million to P145.28 million due to advances to a foreign affiliate relative to the recruitment of project workers to be employed by the foreign affiliate. Inventories dropped by 18% due to accelerated production of the construction segment coupled by lower purchases of the automotive segment. Reduction in prepaid expenses and other current assets was mainly due to reclassification of unutilized creditable withholding taxes (CWTs) amounting to P933.00 million. This was reclassified to non-current asset in recognition of its expected future applicability.

Reduction in equity investments at FVOCI pertains to drop in market value of quoted securities. Increase in investments in associates and joint ventures pertains to equity earnings for the period. Decrease in right of use assets (as well as in lease liabilities) was mainly due to amortization as of the period. Increase in retirement asset pertains mainly to changes in financial assumption. Reduction in deferred tax asset pertains to derecognition of the asset related to reduced income tax rate as a result of the implementation of CREATE Law. Increase in other noncurrent assets pertains to non-current portion of the CWTs of construction group.

Total liabilities were reduced from P30,031.29 million to P27,078.21 million.

Effectively, the total bank loans of the Group increased by P442 million, net of repayments. These were used to finance operations and investment activities of the Group. Reduction in contract liabilities pertain to application of deposits against progress billings for the period. The significant reduction in due to related parties was because of the settlement of management fees by education segment to a related party. Decrease in retirement liability was mainly driven by the change in the financial assumptions, wherein the discount rates used for 2021 are higher at 4.93%-4.99% compared to 3.69%-3.78% in 2020. Decrease in other noncurrent liabilities pertains to reclassification of retention payable of the construction segment to current.

Total equity increased from P21,854.19 million to P30,115.55 million. Increase is primarily due to improved performance of the Group as well as the increase in the value of the land.

Year 2020 vs. 2019

INCOME STATEMENT

Results of Operations

The Group closed 2020 with an aggregate net loss of P1,693.71 million against 2019's net income of P1,649.45 million.

The community quarantine implemented during the year had greatly affected the construction and automotive segments of the Group. During the lockdown period, the construction activities were cancelled and the car dealerships were closed. And during this period, the Group continued to pay the salaries of its workers and its personnel. After the lockdown, operations had slowly picked up but nevertheless, the Group was able to operate only at 50-70% capacity. As a result, total revenues dropped by 38%, from P34,129.84 million to P21,176.05 million in 2020.

Costs of sales and services include the Group's lockdown costs. Administrative expenses increased by 10%, from P2,818.96 million to P3,098.57 million, mainly due to personnel related costs brought about by increase in manpower complement of the construction group.

Equity in net earnings of associates and joint ventures grew from P727.82 million to P1,368.43 million. Increase is attributable to improved performance of Al-Rushaid Construction Company, Ltd. (“ARCC”, a foreign affiliate of EEI) and PetroSolar Corporation.

Interest and finance charges were lower, from P780.61 million to P712.57 million primarily due to lower borrowing rates.

BALANCE SHEET

Financial Position

Total assets stood at P51,885.47 million, slightly lower from P51,995.76 million in 2019.

Increase in cash and cash equivalents was largely due to collection of trade receivables from clients and net proceeds from bank loans. Reduction in receivables was due to lower revenues coupled with collection from clients and customers. Decrease in contract assets is largely attributable to low production of the construction arm of the Group. Inventories dropped from P2,362.28 million to P1,888.03 million due to lower purchases. Receivable from related parties was lower due to reduced manpower services relative to the lockdown. Increase in prepaid expenses and other current assets was due to increase in unutilized creditable withholding taxes and input tax (VAT), coupled with increase in advances to suppliers and contractors.

Reduction in equity investments at FVOCI pertains mainly to reclassification of investment in PetroGreen Energy Corporation (PGEC) to investment in associates due to indirect ownership of the Parent Company through EEI and PERC. Increase in investment property pertains to the property owned by the newly acquired subsidiary of the Parent Company. Decrease in right of use assets (as well as in lease liabilities) was mainly due to termination of lease contracts of closed car dealership branches. Increase in deferred tax asset pertains to recognition of EEI relative to its NOLCO. Increase in other noncurrent assets pertains to non-current portion of the contract assets of EEI.

Total liabilities increased from P28,502.05 million to P30,031.29 million.

Effectively, the total bank loans of the Group increased by P2,316.81 million, net of repayments. These were used to finance operations and investment activities of the Group. Reduction in contract liabilities pertain to application of deposits against progress billings for the period. The significant reduction in due to related parties was because of the settlement of EEI Limited’s liability to ARCC. Increase in retirement liability was due to higher provisioning based on the recent valuation of the Group’s actuary. Increase in other noncurrent liabilities pertain to additional retention on progress billings of EEI’s subcontractors.

Total equity dropped from P23,493.71 million to P21,854.19 million. Decrease is primarily due to net losses recognized by the Group for the period which reduced its retained earnings from P10,111.28 million in 2019 to P9,785.83 million in 2020. Change in fair value reserve of equity investments pertains to reclassification of investment in PGEC.

Financial Ratios

Below are the financial ratios that are relevant to the Group’s for the years ended December 31, 2022 and 2021:

Financial ratios		2022	2021
Current ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	0.92:1	1.42:1
<i>Indicates the Group's ability to pay short-term obligation</i>			
Solvency Ratio	$\frac{\text{Net Income} + \text{Depreciation}}{\text{Total liabilities}}$	0.10:1	0.10:1
<i>Shows how likely a company will be to continue</i>			

Financial ratios		2022	2021
<i>meeting its debt obligations</i>			
Debt-to-equity ratio	<u>Total Debt</u>	0.82:1	0.90:1
<i>Measures the Group's overall leverage</i>	Total Equity		
Asset to Equity Ratio	<u>Total Assets</u>	1.82:1	1.90:1
<i>Measures the group's leverage and long-term solvency</i>	Total Equity		
Interest Rate Coverage	<u>EBIT*</u>	3.75:1	3.71:1
<i>Shows how easily a company can pay interest on outstanding debt</i>	Interest Expense		
Return on Assets	<u>Net Income</u>	2.82%	2.98%
<i>Measure the ability to utilize the Group's assets to create profits</i>	Average Total Assets		
Return on Equity	<u>Net Income</u>	5.23%	6.26%
<i>Reflects how much the Group's has earned on the funds invested by the stockholders</i>	Average Total Equity		

*Earnings before interest and taxes

Current ratio is lower at 0.92 in 2022 compared to 1.42 in 2021. This is mainly attributable to the decrease in cash and cash equivalents largely from construction segment's dividend payments and increase in short-term loan used to finance the acquisition of property investment in Taguig City.

Solvency ratio is lower at 0.097 in 2022 and 0.103 in 2021. This is due to increase in total debts coming from the loans used to finance the acquisition of property investment in Taguig City.

Debt-to-Equity ratio measures the Group's leverage. It decreased from 0.90 to 0.82 this year as an effect of higher equity due to income posted by the Group, recognized revaluation increment on land and increase in non-controlling interests.

Asset-to-Equity ratio decreased from 1.90 to 1.82 attributable to increase in equity as a result of the income registered by the Group this year, recognized revaluation increment on land and increase in non-controlling interests.

Interest Rate Coverage ratio shows how easily a company can pay interest on outstanding debt. It is higher at 3.75 times this year due to lower interest costs incurred this year resulting from lower average level of debt compared to last year.

Return on Assets measures the ability to utilize the Group's assets to create profits. The Group's return on assets for the year 2022 decreased to 2.82 from 2.98 in 2021. This is attributable to higher total assets of the group mainly from the acquisition of property investment located in Taguig City.

Return on Average Stockholders' Equity (ROAE) measures the profitability of the Company in relation to the average stockholders' equity. The ROAE for 2022 went down to 5.23 from 6.26 in 2021 due to higher equity as a result of income posted for the year, recognized revaluation increment on land and increase in non-controlling interests.

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.

San Lorenzo Ruiz Investment Holdings and Services, Inc. is redeveloping a property along Sen. Gil J. Puyat Avenue in Makati into a mix-use commercial complex through a joint venture with Sojitz Corporation of Japan. The estimated development cost is P9.3 Billion.
- (v) 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.

PERIOD	HIGH	LOW
2023 First Quarter	3.99	3.15
2022 Fourth Quarter	3.75	3.28
2022 Third Quarter	3.60	3.35
2022 Second Quarter	3.70	3.31
2022 First Quarter	3.90	3.42
2021 Fourth Quarter	3.98	3.50
2021 Third Quarter	4.30	3.52
2021 Second Quarter	4.60	3.20
2021 First Quarter	4.10	3.40
2020 Fourth Quarter	4.63	3.16
2020 Third Quarter	3.40	2.77
2020 Second Quarter	3.95	3.20
2020 First Quarter	6.24	3.60

The market price of House of Investments' common stock as of May 30, 2023 (latest practicable trading date) is at a high of P4.49 and a low of P4.30.

Stockholders

STOCKHOLDER	COMMON SHARES	% OF TOTAL
PCD Nominee Corp – Filipino	423,515,480	54.54%
Pan Malayan Management & Investment Corp.*	294,759,565	37.96%
PCD Nominee Corp – Non-Filipino	14,513,936	1.87%
A.T. Yuchengco, Inc.*	7,036,070	0.91%
GDSK Development Corporation	5,064,840	0.65%
Go Soc & Sons and Sy Gui Huat, Inc.	4,019,890	0.52%
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
Enrique T. Yuchengco, Inc.*	1,211,360	0.16
Berck Y. Cheng or Alvin Y. Cheng or Diana Y. Cheng or Cheryl Y. Cheng	850,000	0.11
Villonco, Vicente S.	803,800	0.10
RP Land Development Corp.*	726,720	0.09
Dee, Helen Y. ITF: Michelle	643,010	0.08
Lim, Tek Hui	627,000	0.08
EBC Securities Corporation	488,450	0.06
Dee, Helen Y. Dee ITF Johanna Y.	482,290	0.06
Bardey, John C.	476,230	0.06
Wilson, Cathleen Ramona	420,170	0.05
SUB TOTAL	766,675,731	98.74%
Others	9,789,550	1.26%
TOTAL	776,465,281	100.00%

House of Investments has a total of 375 common shareholders owning a total of 776,465,281 shares as of April 30, 2023.

* Represents certificated shares only.

Dividends

In accordance with the Corporation Code of the Philippines, House of Investments intends to declare dividends (either in cash or stock or both) in the future. Common and preferred stockholders of the Company 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 House of Investments' 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 the Company's profits and its capital expenditure and investment requirements at the relevant time.

House of Investments does no defined dividend policy.

The company has declared the following cash dividends in the past two (2) years:

YEAR	DIVIDEND PER COMMON SHARE	DIVIDEND PER PREFERRED SHARE	TOTAL AMOUNT
Q1 2020	N/A	P0.00516	P86.56 K

House of Investments 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.

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

There was no sale of unregistered or exempt securities, nor recent issuance of securities constituting an exempt transaction in 2022.

Description of Registrant's Securities: Common Stock and Preferred Stock

The equity capital structure of the firm as of December 31, 2022 is shown below:

Common Stock	
Authorized Capital	1,250,000,000
Issued	776,765,281
Paid Up Capital	P1,165,147,921,50
Par Value	P1.50

Shares from the increase discussed in in Part I [C] will not be offered to the public, a portion will be issued only to PMMIC pursuant to the Share Swap.

There is no provision in the charter or by-laws of the Company that would delay, defer or prevent a change in control of the registrant.



ANNEX “D”

**HOUSE OF INVESTMENTS, INC.
AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

AND

REPORT OF INDEPENDENT AUDITOR



HI

HOUSE OF INVESTMENTS, INC.

A YGC Member

9th 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, 2022, 2021 and 2020, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of 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

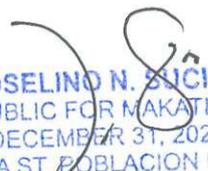

GEMMA O. CHENG
EVP - COO/Chief Financial Officer & Treasurer

Doc. No. 18 Signed this 28 day of APR, 2023.

Page No. 4

Book No. 46

Series of 2023


ATTY. JOSELINO N. SUCION
NOTARY PUBLIC FOR MAKATI CITY
UNTIL DECEMBER 31, 2023
2746 ZENAIDA ST. DOBLACION MAKATI
IBP NO. 257632/01/02/23
PTR NO. 956233/01/03/23
MCLE COMPLAINT NO. VII-0013028/04/14/2025
ROLL NO. 60799
APPOINTMENT NO. M-078

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and the Stockholders
House of Investments, Inc.
9th Floor, Grepalife Building
221 Sen. Gil J. Puyat Avenue
Makati City, Metro Manila

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, 2022 and 2021, 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, 2022, 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, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2022 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

The Group's revenue from construction projects on electro-mechanical works, industrial, buildings and infrastructure accounts for 52% of the total revenue of the Group. Under PFRS 15, *Revenue from Contracts with Customers*, 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, which requires the technical expertise of the Group's engineers.

The Group's disclosures about construction revenue are included in Notes 5 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. For construction revenue which includes significant effects of the variable considerations, we obtained an understanding and tested the relevant controls over the management's process to estimate the amount of consideration expected to be received from the customers. For change orders and claims of sampled contracts, we compared the amounts recognized as revenue to the change orders and claims approved by the customers and other relevant documentary evidences supporting the management's estimate of revenue recognized.

For the measurement of progress of the construction projects, we obtained an understanding of the Group's processes to accumulate actual costs incurred and to estimate the expected cost to complete and tested the relevant controls. We also tested actual costs incurred by examining sample invoices and other supporting third-party correspondences. We also considered the competence, capabilities and objectivity of the Group's cost engineers by referring to their qualifications, experience and reporting responsibilities. We examined the approved total estimated completion costs, any revisions thereto, and the cost variance analysis with supporting details. We discussed the status of the projects under construction with the Group's engineers. We also 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, through EEI, owns 49% equity interest in Al-Rushaid Construction Company Ltd. (ARCC), associate accounted for under the equity method. As of December 31, 2022, ARCC recognized deferred tax asset on net operating loss carryover of ₱435.92 million. We consider the accounting for the investment in ARCC as a key audit matter because the Group's share in ARCC's net losses and the carrying value of the investment represents 28% of the Group's consolidated net income and 2% of the Group's total assets, respectively. The Group's share in ARCC's net earnings is significantly affected by ARCC's revenue recognition from its construction contracts. In addition, management's assessment process on the recognition of deferred tax asset 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. These audit instructions cover their scope of work, risk assessment procedures, audit strategy and reporting responsibilities. We discussed with ARCC's statutory auditors about their key audit areas, planning and execution of audit procedures, significant areas of estimation and judgment. We reviewed their working papers, focusing on the procedures performed on ARCC's revenue recognition, and obtained relevant conclusion statements related to their audit procedures. Furthermore, we evaluated management's assumptions on the recognition of deferred tax assets and inquired with the Group's management the basis of the financial forecast. We also compared management's forecast against historical performance of ARCC.

We also obtained the financial information of ARCC for the year ended December 31, 2022 and recomputed the Group's share in net earnings for the year ended December 31, 2022.

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

The Group has investments in unquoted equity securities of Hermosa Ecozone Development Corporation (HEDC) carried at fair value through other comprehensive income. As of December 31, 2022, the investments' carrying values amounted to ₱508.51 million. In determining the fair values of these investments, the Group engaged external valuers and exercised judgments in selecting the appropriate valuation methodology. This includes using assumptions and inputs taking into consideration the industry where the investee operates. This matter is significant to our audit because estimating the fair value of an unquoted equity instrument involves the use of valuation inputs that are not observable in the market.

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. We involved our internal specialist in the review of the methodology and assumptions used in the valuation of unquoted equity investment valued, which include sales price of comparable properties with reference to market data and cost to develop the parcels of land of HEDC. 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.

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 at December 31, 2022, the revalued amount of the Group's land amounted to ₱9,875.43 million, representing 15% of the Group's total assets. The valuation of the land requires the assistance of external appraisers 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 Notes 5 and 13 to the consolidated financial statements for the detailed disclosures.

Audit response

With the assistance of our internal specialist, we reviewed the scope, bases, methodology and results of the work done by the Group's external appraisers 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 appraisers 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 goodwill, intellectual property rights with infinite life and for those nonfinancial assets with finite useful life, whenever there are indicators of impairment. These nonfinancial assets are considered significant to the consolidated financial statements and management's assessment process involves judgments and is based on assumptions which are subject to higher level of estimation uncertainty due to the current economic conditions which have been impacted by the coronavirus pandemic. The assumptions used in estimating the discounted cash flow projections include forecasted revenue, long-term growth rates, royalty rates, and discount rates.

The Group's disclosures about nonfinancial assets are included in Notes 5, 13, 14, 15 and 17 to the consolidated financial statements.



Audit response

We involved our internal specialist in evaluating the methodology and assumptions used. 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. We checked if the Group has considered the impact of the coronavirus pandemic on these key assumptions and also compared them against historical performance. We compared the long-term growth rates and royalty rates against relevant published 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 is most sensitive, that is, those that have the most significant effect on the determination of the recoverable amount of these assets.

Adequacy of allowance for expected credit loss (ECL)

The Group, through IPO, applies simplified approach in calculating expected credit loss (ECL) on its receivables derived from education segment. Under this approach, the Group establishes a provision matrix that is based on its historical credit loss experience and adjusted for forward-looking factors specific to the debtors and the economic environment. Allowance for ECL and the provision for ECL as of and for the year ended December 31, 2022 amounted to ₱337.62 million and ₱120.41 million, respectively.

The Group's calculation of allowance for ECL is significant to our audit as it involves the exercise of significant management judgment. Key areas of judgment include: segmenting the Group's credit risk exposures; defining default; determining assumptions to be used in the ECL model such as the expected life of the financial asset; and incorporating forward-looking information (called overlays), including the impact of the coronavirus pandemic, in calculating ECL.

The disclosures on the allowance for ECL are included in Notes 5 and 7 to the consolidated financial statements.

Audit response

We updated our understanding of the approved methodology and assumptions used for the Group's different credit exposures and reassessed whether these considered the requirements of PFRS 9 to reflect an unbiased and probability-weighted outcome and the best available forward-looking information.

We (a) assessed the Group's segmentation of its credit risk exposures based on homogeneity of credit risk characteristics; (b) tested the definition of default against historical analysis of accounts and credit risk management policies and practices in place and management's assessment of the impact of the coronavirus pandemic on the counterparties; (c) tested historical loss rates by inspecting historical recoveries including the write-offs; (d) checked the classification of outstanding exposures to their corresponding aging buckets; and (e) evaluated the forward-looking information used for overlay through statistical test and corroboration using publicly available information and our understanding of the Group's receivable portfolios and industry practices, including the impact of the coronavirus pandemic.



Further, we checked the data used in the ECL models, such as the historical analysis of defaults, and recovery data, by reconciling data from loss allowance analysis/model to the source reports and financial reporting system. To the extent that the loss allowance analysis is based on credit exposures that have been disaggregated into subsets with similar risk characteristics, we traced or re-performed the disaggregation from source reports to the loss allowance analysis.

We also recalculated the impairment provisions. We checked the disclosures made in the financial statements on allowance for ECL by tracing such disclosures to the ECL analysis prepared by management.

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, 2022, 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, 2022 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.

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

Tax Identification No. 242-019-387

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 109952-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-117-2022, January 20, 2022, valid until January 19, 2025

PTR No. 9564644, January 3, 2023, Makati City

April 12, 2023



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

	December 31	
	2022	2021
ASSETS		
Current Assets		
Cash and cash equivalents (Note 6)	₱6,630,467,357	₱9,056,486,073
Receivables (Note 7)	4,250,815,749	3,728,565,048
Contract assets (Note 8)	5,182,274,282	8,741,253,049
Inventories (Note 9)	1,502,027,586	1,540,267,273
Receivables from related parties (Note 22)	178,008,353	145,283,445
Prepaid expenses and other current assets (Note 10)	2,132,246,953	1,687,807,568
Total Current Assets	19,875,840,280	24,899,662,456
Noncurrent Assets		
Contract assets - net of current portion (Note 8)	5,190,526,530	1,079,458,807
Equity investments at fair value through other comprehensive income (FVOCI) (Note 11)	650,642,033	527,369,996
Investments in associates and joint ventures (Note 12)	8,303,323,179	7,834,124,308
Property and equipment (Note 13)		
At revalued amount	9,875,430,378	8,291,619,850
At cost	7,225,811,452	7,940,120,912
Investment properties (Note 16)	8,109,162,827	1,977,542,213
Deferred tax assets - net (Note 33)	1,412,438,716	1,222,749,651
Right-of-use assets (Note 14)	1,194,764,548	1,106,174,929
Goodwill (Note 15)	484,829,719	484,829,719
Retirement assets (Note 32)	93,338,840	18,129,661
Other noncurrent assets (Note 17)	2,810,716,784	1,811,979,369
Total Noncurrent Assets	45,350,985,006	32,294,099,415
Total Assets	₱65,226,825,286	₱57,193,761,871

LIABILITIES AND EQUITY

Current Liabilities		
Accounts payable and other current liabilities (Note 18)	₱7,023,609,751	₱7,037,261,878
Loans payable (Note 19)	8,217,000,000	5,706,469,178
Current portion of long-term debt (Note 20)	4,714,765,059	3,547,206,477
Current portion of contract liabilities (Note 8)	1,387,334,090	1,112,517,781
Current portion of lease liabilities (Note 14)	168,473,399	124,406,516
Income tax payable	17,927,194	27,202,609
Due to related parties (Note 22)	2,532,535	2,482,255
Total Current Liabilities	21,531,642,028	17,557,546,694
Noncurrent Liabilities		
Long-term debt - net of current portion (Note 20)	4,316,758,220	6,590,656,513
Contract liabilities - net of current portion (Note 8)	826,701,427	565,849,622
Lease liabilities - net of current portion (Note 14)	1,210,356,879	990,953,738
Deferred tax liabilities - net (Note 33)	1,044,811,603	855,546,115
Retirement liabilities (Note 32)	200,096,343	223,026,503
Other noncurrent liabilities	232,075,531	294,630,102
Total Noncurrent Liabilities	7,830,800,003	9,520,662,593
Total Liabilities	₱29,362,442,031	₱27,078,209,287

(Forward)



	December 31	
	2022	2021
Equity		
Attributable to equity holders of the Parent Company		
Preferred stock (Note 39)	₱-	₱-
Common stock (Note 39)	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 (Note 36)	1,932,007,449	1,598,421,700
Revaluation increment on land - net (Note 13)	2,218,473,182	1,445,367,746
Cumulative translation adjustments	352,101,517	271,303,940
Fair value reserve of equity investments at FVOCI (Note 11)	111,000,523	67,330,660
Remeasurement loss on retirement obligation (Note 32)	(14,062,367)	(101,768,611)
Retained earnings (Note 40)		
Unappropriated	4,944,402,862	3,570,659,388
Appropriated	7,505,355,000	7,505,355,000
	18,366,396,820	15,673,788,477
Non-controlling interests (Note 36)	17,497,986,435	14,441,764,107
Total Equity	35,864,383,255	30,115,552,584
	₱65,226,825,286	₱57,193,761,871

See accompanying Notes to Consolidated Financial Statements.



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

	Years Ended December 31		
	2022	2021	2020
REVENUE (Note 23)	₱23,905,286,435	₱23,599,074,321	₱21,176,075,057
COSTS OF SALES AND SERVICES (Notes 9, 25, 26, 27 and 28)	19,350,955,050	19,776,263,509	21,825,884,505
GROSS PROFIT (LOSS)	4,554,331,385	3,822,810,812	(649,809,448)
GENERAL AND ADMINISTRATIVE EXPENSES (Note 29)	(3,209,680,321)	(2,817,475,078)	(3,098,567,525)
EQUITY IN NET EARNINGS OF ASSOCIATES AND JOINT VENTURES (Note 12)	425,036,868	1,430,345,902	1,368,427,558
INTEREST AND FINANCE CHARGES (Notes 14, 19, 20, 22 and 31)	(669,698,366)	(708,368,551)	(712,571,097)
OTHER INCOME - Net (Note 24)	742,570,523	191,980,072	128,768,133
INCOME (LOSS) BEFORE INCOME TAX	1,842,560,089	1,919,293,157	(2,963,752,379)
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 33)			
Current	371,224,121	69,761,830	126,237,181
Deferred	(253,007,651)	221,764,349	(1,396,274,909)
	118,216,470	291,526,179	(1,270,037,728)
NET INCOME (LOSS)	₱1,724,343,619	₱1,627,766,978	(₱1,693,714,651)
Net income (loss) attributable to:			
Equity holders of the Parent Company	₱1,174,088,374	₱1,073,010,312	(₱824,954,066)
Non-controlling interests	550,255,245	554,756,666	(868,760,585)
	₱1,724,343,619	₱1,627,766,978	(₱1,693,714,651)
EARNINGS (LOSS) PER SHARE (Note 34)			
Basic	₱1.1270	₱1.3819	(₱1.0626)
Diluted	₱1.1270	₱1.3819	(₱1.0626)

See accompanying Notes to Consolidated Financial Statements.



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

	Years Ended December 31		
	2022	2021	2020
NET INCOME (LOSS)	₱1,724,343,619	₱1,627,766,978	(₱1,693,714,651)
OTHER COMPREHENSIVE INCOME (LOSS)			
<i>Items to be reclassified to profit or loss in subsequent periods:</i>			
Share in other comprehensive gain (loss) of an associate (Note 12)	106,387,771	(138,799,335)	(46,303,277)
Cumulative translation adjustments	142,920,866	82,902,765	58,977,308
<i>Items not to be reclassified to profit or loss in subsequent periods:</i>			
Changes in fair value of equity investments carried at FVOCI (Note 11)	46,383,342	40,293,502	(149,929,175)
Revaluation increment on land (Note 13)	1,362,576,732	333,961,750	(72,695,173)
Remeasurement gain (loss) on net retirement (Note 32)	258,091,615	295,174,036	(148,660,020)
Income tax effect	(239,052,304)	22,722,557	(18,077,259)
	1,677,308,022	636,255,275	(376,687,596)
TOTAL COMPREHENSIVE INCOME (LOSS)	₱3,401,651,641	₱2,264,022,253	(₱2,070,402,247)
Total comprehensive income (loss) attributable to:			
Equity holders of the Parent Company	₱2,269,856,628	₱1,320,105,320	(₱1,068,608,442)
Non-controlling interests	1,131,795,013	943,916,933	(1,001,793,805)
	₱3,401,651,641	₱2,264,022,253	(₱2,070,402,247)

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, 2022, 2021 AND 2020

	Attributable to Equity Holders of the Parent Company											Non-controlling interests (Note 36)	Total
	Capital stock (Note 39)		Additional paid-in capital	Equity reserve on acquisition of non-controlling interest	Revaluation increment on land - net (Note 13)	Cumulative translation adjustments (Notes 12 and 38)	Fair Value reserve of equity investments at FVOCI (Note 11)	Remeasurement loss on retirement (Note 32)	Retained earnings		Subtotal		
	Preferred stock	Common stock							Unappropriated (Notes 13 and 40)	Appropriated (Note 40)			
BALANCES 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)	3,605,930,659	6,505,355,000	14,744,475,383	8,749,236,709	23,493,712,092
Net loss	-	-	-	-	-	-	-	-	(824,954,066)	-	(824,954,066)	(868,760,585)	(1,693,714,651)
Other comprehensive loss	-	-	-	-	(11,714,131)	(23,145,055)	(139,313,149)	(69,482,041)	-	-	(243,654,376)	(133,033,220)	(376,687,596)
Total comprehensive loss	-	-	-	-	(11,714,131)	(23,145,055)	(139,313,149)	(69,482,041)	(824,954,066)	-	(1,068,608,442)	(1,001,793,805)	(2,070,402,247)
Redemption of preferred stock	(6,710,402)	-	-	-	-	-	-	-	-	-	(6,710,402)	-	(6,710,402)
Changes in non-controlling interest	-	-	-	(18,751,619)	7,410,470	2,219,251	3,701,886	(2,142,680)	499,588,991	-	492,026,299	(11,396,980)	480,629,319
Dividend declaration	-	-	-	-	-	-	-	-	(86,529)	-	(86,529)	(42,955,797)	(43,042,326)
BALANCES AT													
DECEMBER 31, 2020	-	1,162,540,326	154,578,328	1,623,004,873	1,294,577,413	225,033,109	175,482,889	(259,954,684)	3,280,479,055	6,505,355,000	14,161,096,309	7,693,090,127	21,854,186,436
Net income	-	-	-	-	-	-	-	-	1,073,010,312	-	1,073,010,312	554,756,666	1,627,766,978
Other comprehensive income (loss)	-	-	-	-	150,790,333	46,270,831	(108,152,229)	158,186,073	-	-	247,095,008	389,160,267	636,255,275
Total comprehensive income	-	-	-	-	150,790,333	46,270,831	(108,152,229)	158,186,073	1,073,010,312	-	1,320,105,320	943,916,933	2,264,022,253
Movement in equity	-	-	-	-	-	-	-	-	217,170,021	-	217,170,021	-	217,170,021
Acquisition and disposal of non-controlling interest	-	-	-	(24,583,173)	-	-	-	-	-	-	(24,583,173)	16,764,085	(7,819,088)
Reversal of appropriated retained earnings	-	-	-	-	-	-	-	-	2,500,000,000	(2,500,000,000)	-	-	-
Appropriation of retained earnings	-	-	-	-	-	-	-	-	(3,500,000,000)	3,500,000,000	-	-	-
Issuance of preferred stock by subsidiary	-	-	-	-	-	-	-	-	-	-	-	5,955,009,556	5,955,009,556
Declaration of dividend by subsidiary	-	-	-	-	-	-	-	-	-	-	-	(167,016,594)	(167,016,594)
BALANCES AT													
DECEMBER 31, 2021	-	1,162,540,326	154,578,328	1,598,421,700	1,445,367,746	271,303,940	67,330,660	(101,768,611)	3,570,659,388	7,505,355,000	15,673,788,477	14,441,764,107	30,115,552,584
Net income	-	-	-	-	-	-	-	-	1,174,088,374	-	1,174,088,374	550,255,245	1,724,343,619
Other comprehensive income	-	-	-	-	883,594,568	80,797,577	43,669,863	87,706,244	-	-	1,095,768,252	581,539,770	1,677,308,022
Total comprehensive income	-	-	-	-	883,594,568	80,797,577	43,669,863	87,706,244	1,174,088,374	-	2,269,856,626	1,131,795,015	3,401,651,641
Movement in equity	-	-	-	-	(110,489,132)	-	-	-	199,655,100	-	89,165,968	(89,165,968)	-
Declaration of dividend by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(485,316,910)	(485,316,910)
Movement in non-controlling interest	-	-	-	333,585,749	-	-	-	-	-	-	333,585,749	2,498,910,191	2,832,495,940
BALANCES AT													
DECEMBER 31, 2022	₱-	₱1,162,540,326	₱154,578,328	₱1,932,007,449	₱2,218,473,182	₱352,101,517	₱111,000,523	(₱14,062,367)	₱4,944,402,862	₱7,505,355,000	₱18,366,396,820	₱17,497,986,435	₱35,864,383,255

See accompanying Notes to Consolidated Financial Statements.



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

	Years Ended December 31		
	2022	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax	₱1,842,560,089	₱1,919,293,157	(₱2,963,752,379)
Adjustments for:			
Depreciation, amortization and impairment (Notes 13, 14, 15, 16, 17 and 30)	1,179,698,333	1,148,132,605	1,369,129,177
Interest and finance charges (Notes 14, 19, 20, 22 and 31)	669,698,366	708,368,551	712,571,097
Movements in net retirement liabilities	64,776,084	(230,386,853)	167,325,957
Market gain on financial asset at fair value through profit or loss (FVPL)	(118,787)	(197,848)	(893,359)
Dividend income (Notes 4 and 24)	(10,614,069)	(35,266,666)	(37,855,583)
Unrealized foreign exchange loss (gain) (Note 24)	(40,582,623)	(10,151,384)	49,676,282
Interest income (Note 24)	(107,629,251)	(18,758,054)	(36,588,692)
Gain on sale of:			
Investment properties (Notes 16 and 24)	(2,052,300)	(14,750)	(204,500)
Property and equipment (Notes 13 and 24)	(383,220,587)	(19,732,100)	(14,855,241)
Equity in net earnings of associates and joint venture (Note 12)	(425,036,868)	(1,430,345,902)	(1,368,427,558)
Operating income (loss) before working capital changes	2,787,478,387	2,030,940,756	(2,123,874,799)
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Receivables	(522,250,702)	1,617,508,789	900,412,888
Contract assets	(1,621,647,147)	(1,135,982,629)	1,878,223,184
Inventories	38,239,688	347,766,417	474,243,774
Receivables from related parties	(32,724,909)	(91,868,312)	17,820,168
Prepaid expenses and other current assets	(444,439,385)	857,136,279	(562,089,649)
Other noncurrent assets	(1,020,166,692)	(1,275,326,486)	(262,356,078)
Increase (decrease) in:			
Accounts payable and other current liabilities	(13,652,127)	(1,741,011,003)	366,190,340
Contract liabilities	535,668,114	(878,634,431)	(957,608,563)
Due to related parties	50,280	(7,731,844)	(116,203,076)
Other noncurrent liabilities	707,181,820	(119,798,954)	(311,025,872)
Net cash generated from (used in) operations	413,737,327	(397,001,418)	(696,267,683)
Interest received	107,629,251	18,758,054	36,588,692
Income tax paid, including creditable withholding taxes	(127,916,137)	(143,005,151)	(60,723,415)
Interest and finance charges paid (Note 31)	(669,698,366)	(708,368,551)	(712,571,097)
Net cash flows used in operating activities	(276,247,925)	(1,229,617,066)	(1,432,973,503)

(Forward)



	Years Ended December 31		
	2022	2021	2020
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of:			
Property and equipment (Note 13)	₱713,586,006	₱83,176,478	₱583,053,137
Equity investments at FVOCI (Note 11)	1,200,000	–	26,632,056
Investment properties (Note 16)	420,500	80,750	873,500
Dividends received (Notes 12 and 24)	345,055,362	393,559,175	209,471,914
Acquisitions of:			
Computer software (Note 17)	(17,403,328)	(20,131,041)	(4,515,025)
Investments in associates and joint ventures (Note 12)	(47,761,482)	–	–
Property and equipment	(856,119,690)	(631,905,739)	(1,386,009,107)
Investments properties (Note 16)	(6,155,975,000)	–	(450,000)
Proceeds from return of investments (Note 12)	–	454,139,216	575,959,276
Net cash flows provided by (used in) investing activities	(6,016,997,632)	278,918,839	5,015,751
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Loans payable (Note 19)	16,510,806,863	10,778,700,000	16,524,230,000
Long-term debt - inclusive of transaction costs (Note 20)	2,433,686,361	5,502,371,404	4,116,506,064
Changes in non-controlling interests (Note 36)	3,015,301,881	6,386,504,164	(59,970,000)
Cash dividends paid (Notes 38 and 40)	(485,316,910)	–	(86,529)
Payments of:			
Lease liabilities (Note 14)	(107,531,867)	(50,235,057)	(287,547,391)
Long-term debt (Note 20)	(3,540,026,072)	(2,784,810,550)	(1,387,893,054)
Loans payable (Note 19)	(14,000,276,041)	(13,054,230,822)	(16,936,030,000)
Redemption of preferred shares (Note 39)	–	–	(6,710,402)
Net cash flows provided by financing activities	3,826,644,215	6,778,299,139	1,962,498,688
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS			
	40,582,626	10,151,386	(2,476,235)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			
	(2,426,018,716)	5,837,752,298	532,064,701
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR			
	9,056,486,073	3,218,733,775	2,686,669,074
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)			
	₱6,630,467,357	₱9,056,486,073	₱3,218,733,775

See accompanying Notes to Consolidated Financial Statements.



HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information and Authorization for Issuance of Consolidated Financial Statements

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. As per Section 11 of Revised Corporation Code (RCC) enacted in 2020, a corporation shall have perpetual existence unless its articles of incorporation provide otherwise. Further explained in Securities and Exchange Commission (SEC) Memorandum Circular No. 22 Series of 2020, “the corporate term of a corporation with certificate of incorporation issued prior to the effectivity of the RCC and which continue to exist, shall be deemed perpetual upon the effectivity of the RCC, without any action on the part of the corporation.” Thus, there is no need to amend or extend Parent Company’s corporate life as it already enjoys perpetual existence.

The Parent Company and its subsidiaries (collectively known as the Group) are primarily engaged in car dealership, construction, education, afterlife services, consumer finance, property leasing and 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 9th Floor, Grepalife Building, 221 Sen. Gil J. Puyat Avenue, Makati City, Metro Manila.

Authorization for Issuance of Consolidated Financial Statements

The consolidated financial statements were approved and authorized for issue by the Board of Directors (BOD) on April 12, 2023.

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 statements include the Parent Company and the following companies that it controls:



	Place of Incorporation	Nature of Business	Functional Currency	Percentage of Ownership			
				2022		2021	
				Direct	Indirect	Direct	Indirect
		Insurance agent, financing, trading and real estate	Philippine Peso	100.00	–	100.00	–
Investment Managers, Inc. (IMI)	Philippines		Philippine Peso	100.00	–	100.00	–
Landev Corporation	Philippines	Property management	Philippine Peso	100.00	–	100.00	–
San Lorenzo Ruiz Investment Holdings and Services Inc. (SLRHSI) ^(a)	Philippines	Holding company	Philippine Peso	60.00	–	100.00	–
ATYC, Inc. (ATYC) ^(b)	Philippines	Property leasing	Philippine Peso	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
HI Cars, Inc. (HCI) ^(c)	Philippines	Car dealership	Philippine Peso	100.00	–	100.00	–
La Funeraria Paz Sucat, Inc. (LFPSI)	Philippines	Memorial services	Philippine Peso	50.00	13.00	50.00	13.00
EEI Corporation (EEI)	Philippines	Construction	Philippine Peso	55.34	–	55.34	–
EEI Limited	British Virgin Islands	Holding company	US Dollar	–	100.00	–	100.00
Clear Jewel Investments, Ltd.	British Virgin Islands	Holding company	US Dollar	–	100.00	–	100.00
Nimaridge Investments, 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
EEI Business Solutions, Inc. (formerly Equipment Engineers, Inc., EBSI) ^(d)	Philippines	Construction	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	Philippines	Manufacturing food and therapeutic food	Philippine Peso	–	60.00	–	60.00
Learn JP Corp	Philippines	Service for improvement in language proficiency	Philippine Peso	–	60.00	–	60.00
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
Bagumbayan Equipment & Industrial Products, Inc.	Philippines	Consultancy services	Philippine Peso	–	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
EEI Energy Solutions Corporation (EESC)	Philippines	Retail electricity supplier	Philippine Peso	–	100.00	–	100.00
EEI Carga Digital Logistics Corporation (EEI Carga) ^(e)	Philippines	Digital logistics	Philippine Peso	–	100.00	–	100.00
iPeople, inc. (IPO)	Philippines	Education and Information Technology	Philippine Peso	48.18	–	48.18	–
Malayan Education System, Inc. (MESI) (Operating Under the Name of Mapua University)	Philippines	Education and Information Technology	Philippine Peso	–	100.00	–	100.00
Malayan Colleges Laguna, Inc., A Mapua School (MCLI)	Philippines	Education and Information Technology	Philippine Peso	–	100.00	–	100.00
Malayan Colleges Mindanao (A Mapua School), Inc. (MCMI)	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
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	–
Mapua Techpower Inc.	Philippines	Consultancy	Philippine Peso	–	75.00	–	75.00

(Forward)



	Place of Incorporation	Nature of Business	Functional Currency	Percentage of Ownership			
				2022		2021	
				Direct	Indirect	Direct	Indirect
People eServe Corporation	Philippines	Education and Information Technology	Philippine Peso	–	100.00	–	100.00
Pan Pacific Computer Center, Incorporated (PPCCI)	Philippines	Education and Information Technology	Philippine Peso	–	100.00	–	100.00
Affordable Private Education Center, Inc doing business under the name of APEC Schools (APEC)	Philippines	Education and Information Technology	Philippine Peso	–	100.00	–	100.00
National Teachers College doing business under the name/s and style/s of The National Teachers College	Philippines	Education and Information Technology	Philippine Peso	–	99.79	–	99.79
University of Nueva Caceres	Philippines	Education and Information Technology	Philippine Peso	–	83.62	–	83.62
AC College of Enterprise and Technology, Inc	Philippines	Education and Information Technology	Philippine Peso	–	100.00	–	100.00
LINC Institute, Inc doing business under the Name and Style of LINC Academy	Philippines	Education and Information Technology	Philippine Peso	–	100.00	–	100.00

- (a) In February 2022, the Parent Company sold 1,612,759 common shares representing 14.64% ownership of SLRHSI to Sojitz Corporation. Further, on November 15, 2022, Sojitz Corporation subscribed and paid for additional authorized capital stock applied for by SLRHSI. Accordingly, the ownership stake of the Parent Company decreased from 100% to 60%.
- (b) On September 1, 2022, the Parent Company acquired 5,000,000 common shares representing 100% ownership in ATYC.
- (c) In July 2021, the Parent Company acquired additional 27,000,000 shares resulting to 100% ownership of HCI
- (d) On May 27, 2022, the corporate name of EBSI was changed for the purpose of establishing a separate and distinct identity from EEI.
- (e) On May 14, 2021, EEI Carga Digital Logistics Corporation was incorporated as a wholly owned subsidiary of EE. EEI Carga's primary purpose is to own and operate a digital logistics platform that enables shippers to deliver their products through various transportation options available in the platform. EEI Carga's financial year end is December 31.

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.

The Parent Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a



subsidiary begins when the Parent Company obtains control over the subsidiary and ceases when the Parent Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statements of income and consolidated statements of comprehensive income from the date the Parent Company gains control until the date the Parent Company ceases to control the subsidiary.

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.

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 Parent Company 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

Non-controlling interests (NCI) represent the portion of equity not attributable to the Parent Company. Profit or loss and each component of other comprehensive income (OCI) 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. Non-controlling interests are presented separately in the consolidated statements of comprehensive income and within the equity section of the consolidated statements of financial position and consolidated statements of changes in equity, separately from the equity attributable to equity holders of the Parent Company.

3. Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective in 2022. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. The adoption of these pronouncements does not have a significant impact on the Group's consolidated financial statements unless otherwise indicated.

- Amendments to PFRS 3, *Reference to the Conceptual Framework*

The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately.

At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.



The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively. The amendment has no impact to the consolidated financial statements.

- Amendments to PAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*

The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments have no impact to the consolidated financial statements.

- Amendments to PAS 37, *Onerous Contracts - Costs of Fulfilling a Contract*

The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a “directly related cost approach.” The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

The amendments have no impact to the consolidated financial statements.

- Annual Improvements to PFRSs 2018-2020 Cycle

- o Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*

The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent’s date of transition to PFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The amendments have no impact to the consolidated financial statements.



- Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities*

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Group. The amendments have no impact to the consolidated financial statements.

- Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted. The amendments have no impact to the consolidated financial statements.

Standards Issued But Not Yet Effective

Pronouncements issued but not yet effective are listed below. The Group intends to adopt the following pronouncements when they become effective. The adoption of these pronouncements is not expected to have a significant impact on the Group's consolidated financial statements unless otherwise indicated.

Effective beginning on or after January 1, 2023

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- o Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies, and
- o Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

The amendments to the Practice Statement provide non-mandatory guidance. Meanwhile, the amendments to PAS 1 are effective for annual periods beginning on or after January 1, 2023. Early application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Group.



- Amendments to PAS 8, *Definition of Accounting Estimates*

The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

An entity applies the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented for annual reporting periods on or after January 1, 2023.

The Group is still assessing the impact of the amendments to the consolidated financial statements.

Effective beginning on or after January 1, 2024

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*

The amendments clarify:

- That only covenants with which an entity must comply on or before reporting date will affect a liability's classification as current or non-current.
- That classification is unaffected by the likelihood that an entity will exercise its deferral right.
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*

The amendments specify how a seller-lessee measures the lease liability arising in a sale and leaseback transaction in a way that it does not recognize any amount of the gain or loss that relates to the right of use retained.



The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. Earlier adoption is permitted and that fact must be disclosed.

The Group is still assessing the impact of the amendments to the consolidated financial statements.

Effective beginning on or after January 1, 2025

- 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

On December 15, 2021, the FRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB.

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

The amendments are not expected to have a material impact on the Group.

Deferred Effectivity

- Amendments to PFRS 10 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 IASB 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.

The Group is still assessing the impact of the amendments to the consolidated financial statements.

4. Summary of Significant Accounting Policies

Leases

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 less 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, land improvements and sites	5 to 66
Building, office spaces and warehouses	2 to 10
Other equipment	1 to 3

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.

Sale and leaseback

When entering into a sale and leaseback transaction, the Group determines whether the transfer qualifies as a sale based on the requirements satisfying a performance obligation under PFRS 15.

When the transfer of the asset is a sale, the Group measures the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right-of-use retained by the Group. Gain or loss is recognized only at the amount that relates to the rights transferred to the buyer-lessor.

When the transfer of the asset is not a sale under PFRS 15 requirements, the Group continues to recognize the asset in its statement of financial position and accounts for the proceeds from the sale and leaseback as a financial liability in accordance with PFRS 9.

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.

Revenue Recognition

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 updates its estimate of the transaction price at the end of each reporting period to reflect any changes in circumstances that would result to changes in amount of variable consideration.

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 schools and related operations

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-related

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.

Onerous contracts

If the Group has a contract that is onerous, the present obligation under the contract is recognized and measured as a provision. However, before a separate provision for an onerous contract is established, the Group recognizes any impairment loss that has occurred on assets dedicated to that contract. An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the Group cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. The cost of fulfilling a contract comprises the costs that relate directly to the contract (i.e., both incremental costs and an allocation of costs directly related to contract activities).

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.

The Group presents each contract with customer in the consolidated statement of financial position either as a contract asset or a contract liability.

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, respectively.

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.

'Day 1' difference

Where the transaction price in a non-active market is different to the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in profit or loss, unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'Day 1' difference amount.

Financial Instruments

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 assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date. The Group follows the settlement date accounting where an asset to be received and liability to be paid are recognized on the settlement date and derecognition of an asset that is sold and the recognition of a receivable from the buyer are recognized on the settlement date.

Financial Instruments - Initial Recognition and Subsequent Measurement

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.

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, Receivables from related parties and Loan receivable under Other noncurrent asset account.

Financial assets at fair value through profit or loss

A financial asset shall be measured at fair value through profit or loss unless it is measured at amortized cost or at fair value through other comprehensive income (OCI). However, an entity may make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in OCI.

The Group may, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as an 'accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.



Included in this classification is the peso-denominated investment in Unit Investment Trust Fund in Rizal Commercial Banking Corporation (RCBC) under Prepaid expenses and other current assets account.

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 equity investments other than those classified to fair value through profit or loss under this category.

The Group does not have any debt financial assets at fair value through OCI as of December 31, 2022 and 2021.

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 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's Accounts payable and other current liabilities, Loans payable, Long-term debt, Due to related parties and Lease liabilities.

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.

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements of financial position if there is a currently enforceable legal right to set off the recognized amounts and there is 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.



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) planning and design cost, cost of site preparation, professional fees, property taxes, construction overheads and other related costs that are directly attributable in bringing the real estate inventories to its intended condition.

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.

Materials issued but still uninstalled to construction projects are not considered as part of computation for percentage of completion of projects.

Prepaid Expenses

These are recorded as asset before they are utilized and apportioned over the period covered by the payment and charged to the appropriate account in the consolidated statement of income when incurred.

Advance to Suppliers and Subcontractors

Advance to suppliers and subcontractors represents advance payment for the purchase of various construction materials and down payment to subcontractors for the contract work to be performed.

Creditable Withholding Tax (CWT)

CWT pertains to the tax withheld source by the Group's customers and lessees and is creditable against its income tax liability.

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.

Short-term Investments

Short-term investment pertains to interest bearing time deposits with terms of not more than one year and held for investment purposes.

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 Ventures

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	
				2022	2021
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	29.10
PetroGreen Energy Corporation (PGEC) ^(a)	Philippines	Renewable energy	Philippine peso	8.55	10.00
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	20.00
RCBC Realty Corporation (RRC)	Philippines	Realty	Philippine peso	10.00	10.00
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 ventures:					
PetroWind Energy, Inc. (PWEI)	Philippines	Renewable energy	Philippine peso	20.00	20.00
Shinbayanhan Heavy Equipment Corporation (SHEC)	Philippines	Equipment rental	Philippine peso	40.00	40.00
BEO Distribution and Marketing Corporation (BEO DMC)	Philippines	Distribution and marketing	Philippine peso	30.00	30.00
Shimizu-Fujita-Takenaka-EEI Joint Venture (SFTE)	Philippines	Construction	Philippine peso	5.00	5.00
Acciona-EEI Joint Venture (AE)	Philippines	Construction	Philippine peso	30.00	30.00
DL E&C-EEI-HEC Joint Venture (DEH)	Philippines	Construction	Philippine peso	20.00	20.00
LOTTE-GULERMAK-EEI Joint Venture (LGE)	Philippines	Construction	Philippine peso	25.00	25.00

In 2022, the Parent Company's indirect investment in PGEC, a subsidiary of PERC, was reduced from 10% to 8.55% due to sale of shares to Kyuden International Corporation (KIC). In 2023, PGEC applied for increase in authorized capital stock, which was subscribed and issued to KIC, this further reduced the Group's indirect investment from 8.55% to 7.50%.

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.

Fully depreciated property and equipment are retained in the accounts until they are no longer in use and no further depreciation and amortization are credited to or charged against current operations.

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. Decreases in valuation is charged to profit or loss, except to the extent that it reverses the existing accumulated revaluation increment on the same asset and therefore such decrease is recognized in OCI. The decrease recognized in OCI reduces the revaluation increment on land - net account in equity. In case a subsequent revaluation increase of an asset reverses a revaluation decrease previously recognized in profit or loss, such increase is credited to income in profit or loss.

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.

Investment Properties

Investment properties are measured at cost less 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.

Except for land, depreciation is computed using the straight-line method over the following average EUL:

	Years
Building	32.5
Other equipment	12.5

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.

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 and commencement of an operating lease to another party. 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.

For a transfer from owner-occupied property to investment property, the deemed cost for subsequent accounting is the fair value at the date of change in use. Upon transfer of an asset accounted for under revaluation model to asset accounted for under cost model, any revaluation reserve relating to such particular asset is transferred to retained earnings.

Impairment of Nonfinancial Assets

For Investments in associate and joint venture, Property and equipment, Right-of-use asset and Investment properties, 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.

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 and 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.

Intangible Assets Other Than Goodwill

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Subsequently, intangible assets are measured at cost less accumulated amortization and provision for impairment loss, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the consolidated statement of income in the year in which the expenditure is incurred.

The estimated useful life of intangible assets is assessed as either finite or indefinite. The estimated useful lives of intangible assets are as follows:

	<u>Number of Years</u>
Intellectual property rights	Indefinite
Student relationship	5-7

The estimated useful lives of intangible assets with finite lives are assessed at the individual asset level. Intangible assets with finite lives are amortized over their estimated useful lives on a straight-line basis. Periods and method of amortization for intangible assets with finite useful lives are reviewed annually or earlier when an indicator of impairment exists.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as



appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of comprehensive income in the expense category consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the CGU level. The assessment of indefinite useful life is reviewed annually to determine whether the indefinite useful life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

A gain or loss arising from derecognition of an intangible asset is measured as the difference between the net disposal proceeds and the carrying amount of the intangible assets and is recognized in the consolidated statement of comprehensive income when the intangible asset is derecognized.

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 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 of 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 Parent Company 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 attributable to ordinary equity holders of the Parent Company to reflect any changes from dilutive potential shares divided 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 and adjusted for the effects of all dilutive potential common stock.

The calculation of diluted EPS does not assume conversion, redemption, exercise, or other issue of potential ordinary shares that would have an antidilutive effect on earnings per share. Potential ordinary shares are antidilutive when their conversion to ordinary shares would increase earnings per share or decrease loss per share. As there are no potential dilutive ordinary shares, basic and diluted EPS are stated at the same amount.

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.

Treasury Shares

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 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.

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).



Determination of sale and leaseback transaction as true sale or financing transaction - Group as lessee

The Group determines whether the transfer of assets qualifies as a sale by referring to the requirements for satisfying performance obligations under PFRS 15. The sale and leaseback transactions are considered as a true sale if there is a transfer of control over the related asset. If the transfer is not a sale under PFRS 15 requirements, the Group accounts for the sale and leaseback as a financing transaction in accordance with PFRS 9. The Group assessed that the sale and leaseback transactions in 2022 qualify as a true sale.

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 (Note 23).

Recognition of schools and related operations fees over time

The Group determined that schools and related operations 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, 2022 and 2021, 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

Refer to Note 12 for details of the Group's investment in joint venture.



Estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at 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 described below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

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 ₱1.38 billion and ₱1.12 billion as of December 31, 2022 and 2021, respectively (Note 14).

Estimating variable considerations arising from change orders and claims

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 Group also updates its estimate of the transaction price to reflect any changes in circumstances that would result to changes in amount of variable considerations and corresponding increase or decrease in the contract assets.

The aggregate carrying values of receivables and contract assets amounted to ₱14.62 billion and ₱13.55 billion as of December 31, 2022 and 2021, respectively (Notes 7 and 8).

Fair value measurement of unquoted equity investments at FVOCI

The Group uses valuation techniques such as adjusted net asset method to estimate the fair value of investment in Hermosa Ecozone Development Corporation (HEDC). These valuation techniques require significant unobservable inputs to calculate the fair value of the Group’s unquoted equity investments at FVOCI. These inputs include 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. For the investment in HEDC, the valuation made by the appraisers was based on sales comparison approach. The effects of COVID-19 were reflected in the selling price of comparable listings of real estate properties and were not accounted for separately.

The fair value of unquoted equity investments amounted to ₱0.51 billion and ₱0.42 billion as of December 31, 2022 and 2021, respectively (Note 11).



Provision for expected credit losses of trade receivables and contract assets

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, 2022 and 2021, the aggregate carrying values of Receivables and Contract assets are disclosed in Notes 7, 8, 17 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 parcels 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 ₱9.88 billion and ₱8.29 billion as of December 31, 2022 and 2021, 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 nonfinancial assets other than goodwill and intellectual property rights 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.

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.



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.

Details of impairment of Intellectual property rights and Student relationships are disclosed in Note 15. As to the Group's other nonfinancial assets, no impairment loss was recognized for the years ended December 31, 2022, 2021 and 2020 (Notes 13, 14 and 15).

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 ₱93.34 million and ₱18.13 million as of December 31, 2022 and 2021, respectively whereas retirement liabilities amounted to ₱200.10 million and ₱223.03 million as of December 31, 2022 and 2021, 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.

Classification of CWT

The Group classify its CWT as current when it is expected to be realized (e.g., will be used as tax credit against income taxes due) for at least twelve months after the reporting period. The portion of CWT that is expected to be realized after twelve months after the reporting period is classified as noncurrent. In 2021, the Group classified CWT as non-current as management assessed that it will not be used as tax credits within the next twelve months.

CWT recognized by the Group are disclosed in Notes 10 and 17 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:

	2022	2021
Cash on hand and in banks	₱2,093,208,409	₱2,929,391,629
Cash equivalents	4,537,258,948	6,127,094,444
	₱6,630,467,357	₱9,056,486,073

Cash in banks earns interest at the prevailing bank deposit rates. Cash equivalents have terms with varying periods of up to three (3) months depending on the immediate cash requirements of the Group and earns annual interest at the respective rates.

Interest income from cash in banks and short-term investments amounted to ₱105.89 million, ₱10.55 million, and ₱25.10 million for the years ended December 31, 2022, 2021 and 2020, respectively (Note 24).

7. Receivables

This account consists of:

	2022	2021
Trade		
Construction and infrastructure	₱2,459,706,582	₱2,317,099,708
Education	1,472,085,613	1,251,619,696
Car dealership	575,277,366	254,215,348
Other services	141,001,981	93,779,985
Other receivables		
Loans to officers and employees	40,055,559	30,070,838
Receivable from customers	23,306,939	16,061,797
Accrued referral incentives	16,228,561	19,288,160
Receivable from sale of investment properties	15,997,014	17,285,545
Receivables from car plant	11,040,734	40,500,435
Dividends receivable (Note 22)	7,501,626	10,414,928
Others	49,173,492	157,739,328
	4,811,375,467	4,208,075,768
Less allowance for impairment	560,559,718	479,510,720
	₱4,250,815,749	₱3,728,565,048

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.



Receivables from education

Receivables from education represent amounts arising from tuition and other matriculation fees which are normally collected at end of every school term before the students can proceed to the next term. This also includes receivable from Department of Education amounting to ₱319.80 million and ₱140.80 million as at December 31, 2022 and 2021, respectively, arising from the Senior High School (SHS) Voucher Program wherein qualified SHS students are given assistance on tuition fees. These receivables are noninterest-bearing and are generally collectible within one year.

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, 2022 and 2021.

Other receivables

Loans to officers and employees are interest-bearing and repaid on a monthly basis through salary deductions.

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, 2022 and 2021, receivable from customers amounted to ₱23.31 million and ₱16.06 million, respectively. Interest income from trade receivables amounted to ₱1.31 million, ₱1.22 million and ₱2.3 million in 2022, 2021 and 2020, respectively (Note 24).

Receivables classified as "Others" consist of interest, commission, insurance and various receivables.

The movements in allowance for impairment for the years ended December 31 follow:

	2022					Total
	Construction and Infrastructure	Car Dealership	Education *	Other Services	Other Receivables	
Balance at beginning of year	₱67,770,535	₱36,551,181	₱289,889,812	₱9,675,359	₱75,623,833	₱479,510,720
Provisions – net of recoveries (Note 29)	18,109,950	–	114,297,312	–	6,440,446	138,847,708
Write-offs	–	–	(57,798,710)	–	–	(57,798,710)
Balance at end of year	₱85,880,485	₱36,551,181	₱346,388,414	₱9,675,359	₱82,064,279	₱560,559,718

*Inclusive of tuition and other education-related receivables amounting to ₱337.62 million and ₱8.77 million, respectively.

	2021					Total
	Construction and Infrastructure	Car Dealership	Education*	Other Services	Other Receivables	
Balance at beginning of year	₱62,690,313	₱36,551,181	₱174,881,069	₱9,675,359	₱83,138,505	₱366,936,427
Provisions – net of recoveries (Note 29)	5,080,222	–	117,095,947	–	–	122,176,169
Write-offs	–	–	(2,087,204)	–	(7,514,672)	(9,601,876)
Balance at end of year	₱67,770,535	₱36,551,181	₱289,889,812	₱9,675,359	₱75,623,833	₱479,510,720

*Inclusive of tuition and other education-related receivables amounting to ₱289.8 million and nil, respectively.



8. Contract Assets and Liabilities

Contract Assets

The Group presents contract receivable and retentions withheld by customers as contract assets as the Group's right for consideration is conditioned on the customer's approval of the related work performed and the lapse of the defect and liability period and the receipt of customer certification that there are no defects on the constructed asset, respectively. Amount recorded as contract receivable is reclassified to trade receivable upon customer's approval of the work performed while retentions withheld by customers are reclassified as trade receivables upon the lapse of the defects liability period and final customer acceptance.

The Group's contract assets amounted to ₱10.37 billion and ₱9.82 billion as of December 31, 2022 and 2021, respectively.

Details of the Group's contract assets as of December 31, 2022 and 2021 are shown below.

	2022		
	Current	Noncurrent	Total
Contract assets	₱5,201,785,067	₱5,199,970,342	₱10,401,755,409
Less: Allowance for expected credit losses	19,510,785	9,443,812	28,954,597
	₱5,182,274,282	₱5,190,526,530	₱10,372,800,812

	2021		
	Current	Noncurrent	Total
Contract assets	₱8,788,954,322	₱1,088,902,619	₱9,877,856,941
Less: Allowance for expected credit losses	47,701,273	9,443,812	57,145,085
	₱8,741,253,049	₱1,079,458,807	₱9,820,711,856

Movement in the allowance for expected credit losses for the years ended December 31, 2022 and 2021 follows:

	2022		
	Current	Noncurrent	Total
Balance at beginning of year	₱47,701,273	₱9,443,812	₱57,145,085
Reversal and others	(28,190,488)	–	(28,190,488)
Balance at end of year	₱19,510,785	₱9,443,812	₱28,954,597

	2021		
	Current	Noncurrent	Total
Balance at beginning of year	₱36,785,303	₱15,154,047	₱51,939,350
Provision (Note 29)	10,915,970	–	10,915,970
Reversal	–	(5,710,235)	(5,710,235)
Balance at end of year	₱47,701,273	₱9,443,812	₱57,145,085

Contract Liabilities

Details of the Group's contract liabilities as of December 31, 2022 and 2021 are shown below.

	2022	2021
Total contract liabilities	₱2,214,035,517	₱1,678,367,403
Less current portion	1,387,334,090	1,112,517,781
	₱826,701,427	₱565,849,622



Contract liabilities from construction and infrastructure segment consist of down payments received in relation to construction contracts that will be recognized as revenue in the future as the Group satisfies its performance obligations. Revenue recognized in 2022, 2021 and 2020 that were included in the prior year balance of contract liabilities amounted to ₱2.2 billion, ₱1.4 billion and ₱1.6 billion, respectively.

Contract liabilities from education sector represent the unearned tuition fees and accounts payable to students and will be recognized as revenue when the related educational services are rendered. Contract liabilities related to the remaining performance obligations of the education sector are generally recognizable within one (1) year.

9. Inventories

This account consists of:

	2022	2021
Construction materials	₱721,551,074	₱832,425,956
Merchandise:		
Automotive units	295,774,798	271,899,035
Parts, service materials and accessories	114,029,054	108,082,118
Others	88,452,247	93,311,776
	498,256,099	474,292,929
Real estate:		
Land and land development	158,670,638	152,710,557
Raw lands	42,398,913	45,073,466
Subdivision lots and contracted units for sale	35,988,542	38,156,275
	237,058,093	235,940,298
Spare parts and supplies	88,819,064	73,386,396
	1,545,684,330	1,616,045,579
Less: Allowance for inventory obsolescence	43,656,744	75,778,306
	₱1,502,027,586	₱1,540,267,273

Merchandise includes food and beverages, bookstore inventory, among others.

Spare parts and supplies pertain to inventory items used in the repair and maintenance of the Group's property and equipment.

The summary of the movement in real estate inventories is set out below:

	2022	2021
Balance at beginning of year	₱235,940,298	₱230,771,008
Construction/development costs incurred	4,250,108	12,683,984
Cost of real estate sales (Note 25)	(3,132,313)	(7,514,694)
Balance at end of year	₱237,058,093	₱235,940,298

The total cost of goods sold recognized in the Group's statements of comprehensive income amounted to ₱4,269.42 million, ₱3,339.06 million and ₱3,646.83 million in 2022, 2021 and 2020 respectively (Note 25).



The Group recognizes inventory write-down whenever the NRV of the existing inventories is lower than its cost.

The rollforward of allowance for inventory obsolescence is as follows:

	2022	2021
Balance at beginning of year	P75,778,306	P82,135,203
Provision (Recoveries) (Note 29)	(14,301,872)	8,728
Write-off	(17,819,690)	(6,365,625)
Balance at end of year	P43,656,744	P75,778,306

In 2022, the Group reversed allowance for inventory obsolescence amounting to P14.30 million (nil in 2021) after the spare parts and supplies inventory were found to be still serviceable. These were consumed and recorded as part of cost of services in 2022.

No inventories were pledged as security to obligations as of December 31, 2022 and 2021.

10. Prepaid Expenses and Other Current Assets

This account consists of:

	2022	2021
Advances to suppliers and contractors	P677,201,222	P582,390,512
CWTs	538,908,901	269,509,910
Prepaid expenses	239,843,886	278,971,080
Input VAT	179,180,977	75,093,601
Short-term investments	161,153,004	56,284,600
Miscellaneous deposits	145,760,576	131,535,400
Bid deposit	59,822,400	59,822,400
Advances to officers and employees	52,753,886	50,822,589
Prepaid taxes	30,490,161	66,879,289
Others	102,527,137	132,956,855
	2,187,642,150	1,704,266,236
Less allowance for impairment	55,395,197	16,458,668
	P2,132,246,953	P1,687,807,568

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.

CWTs pertain to unutilized creditable withholding tax which will be used as tax credit against income taxes due. This will be used as tax credit against income taxes due. EEI determines that taxes withheld can be recovered in future periods. In 2021, the Group classified CWT as non-current as management assessed that it will not be used as tax credits within the next twelve months (Note 17). This is accounted for as a noncash operating activity in the 2021 consolidated statement of cash flows. CWTs classified as current in 2022 are assessed to be utilized in 2023.

Prepaid expenses mainly include prepayments for membership fees, subscriptions, rentals and insurance, among others.



Short-term investments earn interest at the prevailing investment rates and have maturity of less than one year. These include investments held for government and private entities for the purpose of undertaking socio-economic studies and development projects amounting to ₱40.19 million and ₱34.82 million as of December 31, 2022 and 2021, respectively.

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, various deposits, other supplies, among others.

Movements in allowance for impairment for the years ended December 31 are shown below:

	2022			
	Miscellaneous deposits	Advances to officers and employees	Advances to suppliers and subcontractors	Total
Balance at beginning of year	₱3,335,193	₱29,516	₱13,093,959	₱16,458,668
Provisions for ECL (Note 29)	37,930,232	1,006,297	-	38,936,529
Balance at end of year	₱41,265,425	₱1,035,813	₱13,093,959	₱55,395,197

	2021			
	Miscellaneous deposits	Advances to officers and employees	Advances to suppliers and subcontractors	Total
Balance at beginning of year	₱3,335,193	₱29,516	₱13,093,959	₱16,458,668
Provisions for ECL (Note 29)	-	-	-	-
Balance at end of year	₱3,335,193	₱29,516	₱13,093,959	₱16,458,668

11. Equity Investments at Fair Value through Other Comprehensive Income (FVOCI)

This account consists of:

	2022	2021
Quoted equity investments (Note 38)	₱136,503,716	₱109,266,412
Unquoted equity investments	514,138,317	418,103,584
	₱650,642,033	₱527,369,996

Movements in the fair value reserve recognized in other comprehensive income (net of tax effect) are as follows:

	2022	2021
Attributable to equity holders of the parent:		
Balance at beginning of year	₱67,330,660	₱175,482,889
Income (loss) recognized in OCI	43,999,863	(108,152,229)
Disposal	(330,000)	-
Balance at end of year	111,000,523	67,330,660
Non-controlling interests:		
Balance at beginning of year	321,570,569	232,495,478
Income recognized in OCI	2,713,479	89,075,091
Balance at end of year	324,284,048	321,570,569
	₱435,284,571	₱388,901,229



The Group elected to present the fair value changes of these 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 in HEDC is determined using the adjusted net asset approach wherein the assets of investee are adjusted from cost to their fair value (Note 5). The valuation was performed by an independent SEC-accredited appraiser as of December 31, 2022.

In 2022, the Parent Company sold a golf share for total selling price of ₱1.20 million, resulting to a gain of ₱0.87 million (Note 24).

Dividends earned from equity investments at FVOCI amounted to ₱10.61 million, ₱35.27 million, and ₱37.86 million in 2022, 2021 and 2010, respectively (Note 24).

No equity investments at FVOCI were pledged as security to obligations as of December 31, 2022 and 2021.

12. Investments in Associates and Joint Venture

The rollforward analysis of this account follows:

	2022	2021
Acquisition cost:		
Balance at beginning of year	₱4,236,124,304	₱4,690,263,520
Additions	47,761,482	-
Return of investment in ARCC	-	(454,139,216)
Balance at end of year	4,283,885,786	4,236,124,304
Accumulated impairment loss	74,536,609	74,536,609
Accumulated equity in net earnings:		
Balance at beginning of year	3,531,781,118	2,459,727,725
Equity in net earnings	425,036,868	1,430,345,902
Dividends received	(334,441,296)	(358,292,509)
Balance at end of year	3,622,376,690	3,531,781,118
Subtotal	7,831,725,867	7,693,368,813
Share in other comprehensive gain (loss) of an associate	106,387,771	(138,799,335)
Share of cumulative translation adjustment	365,209,541	279,554,830
	₱8,303,323,179	₱7,834,124,308



The details of significant investments accounted for under the equity method are as follows:

(Amounts in millions)

	2022												
	RRC	PERC	PGEC	MMPC	SGAPC	ARCC	PSOC	PWEI	SHEC	BEO		AE	RICEI
Acquisition cost:													
Balance, January 1	₱959	₱889	₱478	₱120	₱50	₱596	₱691	₱257	₱21	₱1	-	-	₱-
Additions	-	-	-	-	-	-	3	31	-	-	-	-	14
Balance, December 31	959	889	478	120	50	596	694	288	21	1	-	-	14
Accumulated equity in net earnings (losses):													
Balance, January 1	559	640	79	610	37	929	429	214	(1)	(1)	7	21	-
Equity in net earnings (losses)	105	163	38	130	42	(387)	201	44	1	-	2	33	(1)
Dividends declared	(160)	(1)	-	(13)	(26)	-	(119)	-	-	-	-	-	-
Balance, December 31	504	802	117	727	53	542	511	258	-	(1)	9	54	(1)
Subtotal	1,463	1,691	595	847	103	1,138	1,205	546	21	-	9	54	-
Accumulated share in other comprehensive income:													
Balance, January 1	-	78	(46)	-	-	(57)	-	-	-	-	-	-	-
Share in other comprehensive income (loss)	-	50	186	-	-	(55)	-	-	-	-	-	-	-
Balance, December 31	-	128	140	-	-	(112)	-	-	-	-	-	-	-
Equity in cumulative translation adjustments	-	-	-	-	-	316	-	-	-	-	-	-	-
	₱1,463	₱1,819	₱735	₱847	₱103	₱1,342	₱1,205	₱546	₱21	₱-	₱9	₱54	₱13

	2021												
	RRC	PERC	PGEC	MMPC	SGAPC	ARCC	PSOC	PWEI	SHEC	BEO		AE	
Acquisition cost:													
Balance, January 1	₱959	₱889	₱470	₱120	₱50	₱1,050	₱691	₱257	₱21	₱-	₱-	₱-	₱-
Additions	-	-	8	-	-	-	-	-	-	1	-	-	-
Return of investments	-	-	-	-	-	(454)	-	-	-	-	-	-	-
Balance, December 31	959	889	478	120	50	596	691	257	21	1	-	-	-
Accumulated equity in net earnings (losses):													
Balance, January 1	516	547	46	489	(18)	269	394	165	(2)	(1)	4	-	-
Equity in net earnings	133	93	50	136	55	660	192	49	-	-	3	21	-
Dividends declared	(90)	-	(17)	(15)	-	-	(157)	-	-	-	-	-	-
Balance, December 31	559	640	79	610	37	929	429	214	(2)	(1)	7	21	-
Subtotal	1,518	1,529	557	730	87	1,525	1,120	471	19	-	7	21	-
Accumulated share in other comprehensive income:													
Balance, January 1	603	66	(46)	-	-	(22)	(1)	-	-	-	-	-	-
Share in other comprehensive loss	(603)	(66)	-	-	-	(35)	-	-	-	-	-	-	-
Balance, December 31	-	-	(46)	-	-	(57)	(1)	-	-	-	-	-	-
Equity in cumulative translation adjustments	-	-	-	-	-	153	-	-	-	-	-	-	-
	₱1,518	₱1,530	₱512	₱730	₱87	₱1,621	₱1,119	₱471	₱19	₱-	₱7	₱21	₱-

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.

PERC

In April 2019, the Parent Company purchased additional 4,153,651 shares of PERC, an entity listed with PSE, 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 ₱4.01 per share as of December 31, 2022 and 2021.

PGEC

PGEC was incorporated on March 31, 2010 primarily to carry on the general business of generating, transmitting, and/or distributing power derived from renewable and conventional sources of power.

In 2022, the Group's indirect investment in PGEC, a subsidiary of PERC, was reduced from 10% to 8.55% due to sale of shares to KIC. In January 2023, PGEC applied for increase in authorized capital stock, which was subscribed and issued to KIC, this further reduced the Group's indirect investment from 8.55% to 7.50%.

MMPC

MMPC was incorporated and registered with the SEC on September 26, 1962 primarily to engage in development and sale of memorial lots.

SGAPC

On November 8, 2019, the Parent Company purchased 2,500,000 shares of SGAPC from Sojitz Corporation amounting to ₱50.00 million or equivalent to 20.00% ownership equity.

ARCC

In 2021 and 2020, ARCC repaid investment amounting to ₱454.11 million and ₱576.01 million, respectively. The transactions did not result to a change in the 49% ownership of EEI Limited over 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.

EEI Limited made additional investment of ₱294.9 million in ARCC in 2016.

PSOC

In 2022 and 2021, dividend received amounting to ₱118.80 million and ₱156.90 million, respectively.

In 2022, 2019 and 2018, EPC made additional investments of ₱2.75 million, ₱148.3 million and ₱175.80 million, respectively, in PSOC. These transactions did not result to a change in the 44% ownership of EPC over PSOC.

In 2015, the EPC purchased 3.7 million shares from PSOC amounting to ₱366.43 million which resulted to 44% ownership on the latter. PSOC was incorporated on June 17, 2015 primarily to carry out the general business of generating, transmitting, and/or distributing power derived from renewable energy resources. It has a 50-megawatt solar farm in Tarlac City.



PWEI

In 2022, EPC made an additional investment of ₱31.51 million. This did not result to a change in the 20% ownership of EPC over PWEI.

In 2013, EPC acquired 20% stake in PWEI for ₱118.75 million. PWEI was incorporated on March 6, 2013, primarily to carry on the general business of generating, transmitting and/or distributing power derived from renewable energy sources such as, but not limited to wind, biomass, hydro, solar, geothermal, ocean, wave and such other renewable sources of power, and from conventional sources such as coal, fossil fuel, natural gas, nuclear, and other viable or hybrid sources of power corporation, public electric utilities, electric cooperative and markets. PWEI has a wind energy project in Nabas, Aklan and has started construction activities on April 29, 2013.

On November 21, 2013, PGEC, CapAsia ASEAN Wind Holdings Cooperative, U.A. (CapAsia) and EPC entered into a Shareholders' Agreement (SA). The SA will govern their relationship as the shareholders of PWEI as well as containing their respective rights and obligations in relation to PWEI. Further, the SA contains provisions regarding voting requirements for relevant activities that require unanimous consent of all the parties. PGEC, CapAsia and EPC agree that their equity ownership ratio in PWEI is at 40%, 40% and 20%, respectively.

Although the Share Purchase Agreement (SPA) and the SA were executed on November 21, 2013, these did not result to PGEC's loss of control over PWEI in 2013. The loss of control did not happen until the Closing Date. On February 14, 2014, the Closing Date, the payment has been received from sale of the shares as executed in the Deed of Assignment covering the transfer of shares from PGEC to CapAsia and all the conditions precedent have been satisfactory completed. Hence, the transaction made PWEI a joint venture among PGEC, CapAsia and EPC by virtue of the SA signed among the three parties governing the manner of managing PWEI. PGEC lost control over PWEI while CapAsia was given full voting and economic rights as a 40% shareholder.

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

In 2019, the Group, through EEI, acquired 40% stake in Shinbayanihan Heavy Equipment Corporation (SHEC) and was accounted as investment in joint venture. 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.

BEO DMC

In 2019, BiotechJP deposited ₱0.5 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.

In 2020, BiotechJP reclassified the deposit to investment in joint venture upon receipt of stock certificate of BEO DMC.

SFTE JV

On September 12, 2020, the Group entered into a joint venture agreement with Shimizu Corporation, Fujita Corporation, Takenaka Civil Engineering & Construction Co. Ltd. (SFTE JV) to contract with



the Department of Transportation (DOTr) of the Republic of the Philippines for the Metro Manila Subway Project (MMSP)-Phase 1, Contract Package 101. In the joint venture, the EEI Group acquired a proportionate share of 5% with regard to the assets, liabilities, costs, profits and losses arising out of the execution of the Works as identified in the contract with DOTr. The joint venture agreement also requires anonymous vote of all joint venture partners on the relevant activities of the joint venture.

AE

On October 13, 2020, EEI entered into a joint venture agreement with Acciona Construction Philippines, Inc. to undertake the construction of the Malolos-Clark Railway Project-Package No. CP N-04. The Group's participating interest in the joint venture is 30%. The group has no initial capital investment on the joint venture as it is an unincorporated joint venture. The joint venture agreement also requires unanimous vote of all joint venture partners on the relevant activities of the joint venture.

The EEI also entered into joint venture agreements with certain contractors for the purpose of establishing unincorporated joint ventures, the object of which are to submit bids for certain projects, and if such bids are successful, execute the project and jointly deliver the works in accordance with the project documents. As of December 31, 2022, these projects are yet to be awarded. EEI has no initial capital investment on the joint ventures as these are unincorporated. EEI accounts for these joint ventures under equity method of accounting.

RICEI

In 2022, the EEI acquired 49% stake in RICE Integrated Commercial Enterprises, Incorporation (RICEI) and was accounted for as an associate. RICEI was incorporated on February 23, 2019 primarily to engage in the production and trading of crops, orchards, groves, and all types of agricultural, fishery and farm products on wholesale basis.

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 millions):

	2022												
	RRC	PERC	PGEC	MMPC	SGAPC	ARCC	PSOC	PWEI	SHEC	BEO DMC	SFTE	AE	RICEI
Net asset before adjustments	₱2,421	₱12,066	₱11,203	₱2,956	₱414	₱2,738	₱2,738	₱2,730	₱53	₱0.22	₱186	₱181	₱27
Adjustments	12,210	(5,792)	(2,637)	302	99	-	-	-	-	-	-	-	-
Net assets	₱14,631	₱6,274	₱8,596	₱3,258	₱513	₱2,738	₱2,738	₱2,730	₱53	₱0.22	₱186	₱181	₱27
Proportionate ownership in the associate	10%	29%	8.55%	26%	20%	49%	44%	20%	40%	30%	5%	30%	49%
Share in net identifiable assets	1,463	1,819	735	847	103	1,342	1,205	546	21	0.07	9	54	13
Carrying value	₱1,463	₱1,819	₱735	₱847	₱103	₱1,342	₱1,205	₱546	₱21	₱0.07	₱9	₱54	₱13

	2021												
	RRC	PERC	PGEC	MMPC	SGAPC	ARCC	PSOC	PWEI	SHEC	BEO DMC	SFTE	AE	
Net assets before adjustments	₱3,002	₱8,308	₱7,342	₱2,536	₱352	₱3,309	₱2,543	₱2,360	₱48	₱0.35	₱141	₱70	
Adjustments	12,177	(3,046)	(2,221)	277	82	-	-	-	-	-	-	-	-
Net assets	₱15,179	₱5,259	₱5,121	₱2,813	₱434	₱3,309	₱2,543	₱2,360	₱48	₱0.35	₱141	₱70	
Proportionate ownership in the associate	10%	29%	10%	26%	20%	49%	44%	20%	40%	30%	5%	30%	
Share in net identifiable assets	1,518	1,531	512	731	87	1,621	1,119	472	19	0.11	7	21	
Carrying value	₱1,518	₱1,531	₱512	₱731	₱87	₱1,621	₱1,119	₱472	₱19	₱0.11	₱7	₱21	



Summarized financial information of the Group's significant associates and joint venture are as follows: *(in millions)*

	2022												
	RRC	PERC	PGEC	MMPC	SGAPC	ARCC	PSOC	PWEI	SHEC	BEO DMC	SFTE	AE	RICEI
Current assets	₱1,094	₱5,331	₱4,950	₱2,642	₱7,468	₱14,560	₱633	₱687	₱45	₱2	₱29,393	₱2,690	₱27
Noncurrent assets	5,890	11,498	10,282	1,852	598	2,441	3,504	3,677	73	-	-	389	1
Total assets	₱6,984	₱16,829	₱15,232	₱4,494	₱8,066	₱17,001	₱4,137	₱4,364	₱118	₱2	₱29,393	₱3,079	₱28
Current liabilities	₱1,614	₱1,500	₱1,140	₱1,078	₱7,464	₱10,820	₱291	₱321	₱49	₱2	₱29,207	₱1,588	₱1
Noncurrent liabilities	2,949	2,963	2,889	460	188	3,443	1,109	1,313	-	-	-	1,309	-
Total liabilities	₱4,563	₱4,463	₱4,029	₱1,538	₱7,652	₱14,263	₱1,400	₱1,634	₱49	₱2	₱29,207	₱2,897	₱1
Revenues	₱2,291	₱2,551	₱1,821	₱1,124	₱11,178	₱16,230	₱872	₱641	₱7	2	₱46	₱2,143	₱3
Cost	-	(1,303)	(879)	(412)	(10,285)	(16,772)	(257)	(475)	(4)	(2)	-	(1,438)	(5)
Gross margin	2,291	1,248	942	712	893	(542)	615	166	3	-	46	705	(2)
Selling and administrative, and other expenses	(1,025)	(372)	(264)	(82)	(605)	(444)	(137)	57	(1)	-	-	(594)	-
Pre-tax income (loss)	₱1,266	₱876	₱678	₱630	₱288	(₱986)	₱478	₱223	₱2	₱-	₱46	₱111	(₱2)
Proportionate ownership in the associate	10%	29%	9%	26%	20%	49%	44%	20%	40%	30%	5%	30%	49%
Share in pre-tax income (loss)	127	254	61	164	58	(483)	210	45	1	-	2	33	(1)
Income tax (benefit)	(22)	(13)	(6)	(34)	(3)	(96)	8	2	-	-	-	-	-
Non-controlling interest	-	(77)	(17)	-	(13)	-	-	-	-	-	-	-	-
Equity in net earnings (losses)	₱105	₱164	₱38	₱130	₱42	(₱387)	₱202	₱43	₱1	₱-	₱2	₱33	(₱1)
Dividends received	₱-	₱-	₱-	₱-	₱-	₱-	₱-	₱-	₱-	₱-	₱-	₱-	₱-

	2021											
	RRC	PERC	PGEC	MMPC	SGAPC	ARCC	PSOC	PWEI	SHEC	BEO DMC	SFTE	AE
Current assets	₱826	₱2,418	₱2,012	₱2,331	₱2,816	₱7,695	₱612	₱601	₱43	₱2	₱16,838	₱2,765
Noncurrent assets	5,980	10,798	9,927	1,538	642	1,558	3,552	3,629	24	-	-	774
Total assets	₱6,806	₱13,216	₱11,939	₱3,869	3,458	₱9,253	₱4,164	₱4,230	₱67	₱2	₱16,838	₱3,539
Current liabilities	₱1,881	₱1,242	₱1,000	₱968	₱2,834	₱4,537	₱268	₱321	₱3	₱1	₱16,697	₱3,469
Noncurrent liabilities	1,923	3,666	3,594	365	272	1,408	1,353	1,549	-	-	-	-
Total liabilities	₱3,804	₱4,908	₱4,594	₱1,333	₱3,106	₱5,945	₱1,621	₱1,870	₱3	₱1	₱16,697	₱3,469
Revenues	₱2,584	₱2,423	₱1,962	₱1,029	₱6,677	₱12,818	₱886	₱762	₱5	-	₱57	₱1,664
Cost	(767)	(1,158)	(822)	(121)	(5,858)	(10,776)	(251)	(351)	(2)	-	-	(841)
Gross margin	1,817	1,265	1,140	908	819	2,042	635	411	3	-	57	823
Selling and administrative, and other expenses	(88)	(181)	(103)	(294)	(509)	(396)	(160)	(164)	(2)	-	-	(754)
Pre-tax income (loss)	₱1,729	₱1,084	₱1,037	₱614	₱310	₱1,646	₱475	₱247	₱1	₱-	₱57	₱69
Proportionate ownership in the associate	10%	29%	10%	26%	20%	49%	44%	20%	40%	30%	5%	30%
Share in pre-tax income (loss)	173	315	104	160	62	807	209	49	-	-	3	21
Income tax	(40)	(16)	(6)	(24)	(7)	(147)	(17)	-	-	-	-	-
Non-controlling interest	-	(206)	(48)	-	-	-	-	-	-	-	-	-
Equity in net earnings (losses)	₱133	₱93	₱50	₱136	₱55	₱660	₱192	₱49	₱-	₱-	₱0.03	₱21
Dividends received	₱90	₱-	₱17	₱15	₱-	₱-	₱-	₱-	₱-	₱-	₱-	₱-

The Group's share in the net income of ARCC is subject to 20% income tax rate in Saudi Arabia.

Other relevant financial information of RRC are as follows:

	2022	2021
Cash and cash equivalents	₱706,615,152	₱165,371,652
Current financial liabilities *	359,035,952	542,299,809
Noncurrent financial liabilities *	2,843,703,410	1,886,764,857
Depreciation and amortization	179,916,232	176,359,467
Interest income	21,434,630	3,836,413
Interest expense	224,837,382	199,584,482

*Excluding trade and other payables and provisions



Other relevant financial information of PERC are as follows:

	2022	2021
Cash and cash equivalents	₱1,677,231,584	₱1,241,762,101
Current financial liabilities *	947,144,643	834,696,065
Noncurrent financial liabilities *	2,530,784,409	3,560,657,997
Depreciation and amortization	551,078,397	520,848,217
Interest income	51,154,475	12,913,159
Interest expense	292,324,806	333,375,545

**Excluding trade and other payables and provisions*

Other relevant financial information of PGEC are as follows:

	2022	2021
Cash and cash equivalents	₱1,358,773,144	₱1,082,397,539
Current financial liabilities *	696,564,794	644,696,064
Noncurrent financial liabilities *	2,537,602,499	3,560,657,996
Depreciation and amortization	437,326,559	436,959,811
Interest income	47,096,107	12,091,941
Interest expense	286,056,967	321,395,630

**Excluding trade and other payables and provisions*

Other relevant financial information of MMPC are as follows:

	2022	2021
Cash and cash equivalents	₱542,678,726	₱319,023,206
Current financial liabilities *	20,964,238	14,227,258
Noncurrent financial liabilities *	95,489,617	-
Depreciation and amortization	52,402,456	43,085,464
Interest income	204,156,140	152,362,846
Interest expense	3,122,109	3,089,611

**Excluding trade and other payables and provisions*

Other relevant financial information of SGAPC are as follows:

	2022	2021
Cash and cash equivalents	₱383,160,000	₱949,793,000
Current financial liabilities *	1,160,634,000	669,878,000
Noncurrent financial liabilities *	188,289,000	271,921,000
Interest income	803,000	711,592

**Excluding trade and other payables and provisions*

Other relevant financial information of PWEI are as follows:

	2022	2021
Cash and cash equivalents	₱241,434,172	₱210,926,150
Current financial liabilities *	293,945,601	290,734,202
Noncurrent financial liabilities *	1,321,286,339	1,512,560,580
Depreciation and amortization	196,284,720	194,393,893
Interest income	6,334,910	2,391,881
Interest expense	122,621,186	139,993,428

**Excluding trade and other payables and provisions*



Other relevant financial information of SHEC are as follows:

	2022	2021
Cash and cash equivalents	₱31,503,060	₱34,253,747
Current financial liabilities *	7,164,732	5,435,145
Depreciation and amortization	4,301,670	1,813,800
Interest income	36,135	43,322

**Excluding trade and other payables and provisions*

Other relevant financial information of BEO are as follows:

	2022	2021
Cash and cash equivalents	₱1,686,802	₱1,502,203
Current financial liabilities *	970,183	870,183
Interest income	1,002	1,349

Excluding trade and other payables and provisions

Other relevant financial information of SFTE are as follows:

	2022	2021
Cash and cash equivalents	₱12,488,879,930	₱9,800,712,506
Interest income	46,086,858	57,091,980

Other relevant financial information of AE are as follows:

	2022	2021
Cash and cash equivalents	₱1,000,462,212	₱268,799,174
Current financial liabilities *	1,588,232,594	421,140,200
Interest income	4,420,740	1,948
Depreciation and amortization	44,385,972	216,823,727

Excluding trade and other payables and provisions

13. Property and Equipment

Property and equipment at revalued amount

Movements in the revalued land are as follows:

	2022	2021
Balance at beginning of year	₱8,291,619,850	₱7,957,658,100
Change in revaluation increment	1,783,465,628	333,961,750
Transfer to Retained earnings	(199,655,100)	-
	1,583,810,528	333,961,750
Balance at end of year	₱9,875,430,378	₱8,291,619,850

Land at revalued amounts consists of owner-occupied property wherein the school buildings, car dealership showroom, and other facilities are located.

As of December 31, 2022 and 2021, 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, 2022.

In 2022, 2021 and 2020, the Group revalued its land based on the appraisals made by SEC accredited appraisers. As of December 31, 2022 and 2021, the cost of the parcels of land carried at revalued amounts amounted to ₱5,551 million and ₱5,985 million, respectively.

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)	
			2022	2021
Quezon and Panay Avenue, Quezon City	Market Approach	Price per square meter	₱220,000 to	₱85,846 to
			₱250,000	₱136,800
Barangay Tuding, Itogon, Benguet	Market Approach	Price per square meter	₱8,000 to	₱7,679 to
			₱8,200	₱7,700
Barangay Biga I, Silang, Province of Cavite	Market Approach	Price per square meter	₱11,500 to	₱8,363 to
			₱11,600	₱8,400
Makati and Intramuros, Manila	Market Approach	Price per square meter	₱85,050 to	₱57,375 to
			₱246,926	₱266,000
Cabuyao, Laguna	Market Approach	Price per square meter	₱11,875 to	₱10,412 to
			₱13,500	₱13,500
Davao City, Davao Del Sur	Market Approach	Price per square meter	₱22,088 to	₱23,750 to
			₱35,340	₱32,148
Pandacan, Metro Manila	Market Approach	Price per square meter	₱85,781 to	₱61,200 to
			₱102,375	₱79,475
San Jose Del Monte City, Bulacan	Market Approach	Price per square meter	₱55,510 to	₱55,510 to
			₱60,493	₱59,993
Naga City, Camarines Sur	Market Approach	Price per square meter	₱19,000 to	₱18,573 to
			₱34,913	₱27,075
Quiapo, Manila	Market Approach	Price per square meter	₱89,100 to	₱70,837 to
			₱135,000	₱130,625

Adjustment factors arising from external and internal factors (i.e., location, size and road frontage) affecting the subject properties as compared to the market listing of comparable properties, ranges from -20% to +15% in 2022 and from -25% to +20% in 2021.

Significant increases (decreases) in estimated price per square meter would result in a significantly higher (lower) fair value of the land.

In 2019, IPO recorded provision for impairment in value of ₱21 million on a parcel of land charged to profit or loss [presented under ‘Other income (charges) – net] as there was no previous revaluation increment recognized on said land. Based on the 2021 and 2020 appraisal of the same parcel of land, there was an increase in value that resulted to the reversal of the impairment loss amounting to ₱15.8 million in 2021 and ₱5.2 million in 2020. The increase was credited to profit or loss as “Other income (charges) – net” in the 2021 and 2020 statement of comprehensive income.

Property and equipment at cost

The rollforward analysis of this account follows:

	2022					Total
	Buildings and Improvements	Machinery, Tools and Construction Equipment	Transportation and Service Equipment	Furniture, Fixtures, and Office Equipment	Construction in Progress	
Cost						
Balance at beginning of year	₱6,039,128,545	₱5,258,333,361	₱1,389,472,442	₱3,325,451,969	₱1,773,881,346	₱17,786,267,663
Acquisitions	400,821,288	203,057,739	58,141,274	184,762,606	9,336,783	856,119,690
Disposals/Retirements	(977,948,682)	(177,530,683)	(177,553,092)	(4,909,309)	–	(1,337,941,766)
Balance at end of year	5,462,001,151	-5,283,860,417	1,270,060,624	3,505,305,266	1,783,218,129	17,304,445,587

(Forward)



2022						
	Buildings and Improvements	Machinery, Tools and Construction Equipment	Transportation and Service Equipment	Furniture, Fixtures, and Office Equipment	Construction in Progress	Total
Accumulated Depreciation and Amortization						
Balance at beginning of year	₱2,657,759,859	₱3,408,396,310	₱993,820,883	₱2,786,169,699	₱-	₱9,846,146,751
Depreciation and amortization (Note 30)	498,255,753	110,005,610	88,096,481	237,877,656	-	934,235,500
Disposals/retirements	(444,683,279)	(227,990,998)	(25,482,449)	(3,591,390)	-	(701,748,116)
Balance at end of year	2,711,332,333	3,290,410,922	1,056,434,915	3,020,455,965	-	10,078,634,135
Net Book Value at Cost	₱2,750,668,818	₱1,993,449,495	₱213,625,709	₱484,849,301	₱1,783,218,129	₱7,225,811,452
2021						
	Buildings and Improvements	Machinery, Tools and Construction Equipment	Transportation and Service Equipment	Furniture, Fixtures, and Office Equipment	Construction in Progress	Total
Cost						
Balance at beginning of year	₱6,217,750,751	₱5,412,856,675	₱1,429,509,005	₱3,081,479,036	₱1,458,496,670	₱17,600,092,137
Acquisitions	74,075,701	79,186,056	26,965,937	255,053,655	196,624,390	631,905,739
Disposals	(103,951,000)	(266,643,597)	(67,066,049)	(8,069,567)	-	(445,730,213)
Reclassifications	(148,746,907)	32,934,227	63,549	(3,011,155)	118,760,286	-
Balance at end of year	6,039,128,545	5,258,333,361	1,389,472,442	3,325,451,969	1,773,881,346	17,786,267,663
Accumulated Depreciation and Amortization						
Balance at beginning of year	2,500,618,392	3,279,541,046	948,641,651	2,420,471,186	-	9,149,272,275
Depreciation and amortization (Note 30)	262,385,572	343,000,802	107,636,274	219,887,211	-	932,909,859
Disposals/retirements	(103,951,000)	(210,907,059)	(61,586,729)	(5,295,078)	-	(381,739,866)
Reclassifications	(1,293,105)	(3,238,479)	(870,313)	151,106,380	-	145,704,483
Balance at end of year	2,657,759,859	3,408,396,310	993,820,883	2,786,169,699	-	9,846,146,751
Net Book Value at Cost	₱3,381,368,686	₱1,849,937,051	₱395,651,559	₱539,282,270	₱1,773,881,346	₱7,940,120,912

Construction in progress mainly includes the general cost of construction of the Group's school building in Makati City and other direct cost.

The distribution of the depreciation and amortization expenses of the Group's property and equipment follows:

	2022	2021	2020
Cost of sales and services			
Construction contracts (Note 27)	₱327,252,315	₱368,679,702	₱446,829,677
Tuition and other fees (Note 28)	286,481,061	292,352,937	367,983,710
Manpower and other services (Note 16 and 27)	32,231,047	9,803,937	13,483,485
	645,964,423	670,836,576	828,296,872
General and administrative expenses (Note 29)			
	288,271,077	262,073,283	313,647,050
	₱934,235,500	₱932,909,859	₱1,141,943,922

In 2022, the Group, thru EEI entered into a sale and leaseback transaction with EEI Retirement Fund Inc. (EEI-RFI) for properties located in Bauan, Batangas for ₱1.2 billion. This transaction resulted to a gain on sale of ₱341.0 million and the recognition of right-of-use asset and lease liability amounting to ₱56.7 million and ₱206.1 million, respectively. The Revaluation increment in equity relating to the asset disposed of is transferred directly to Retained earnings when the asset was derecognized.

Gain on sale of property and equipment amounted to ₱383.22 million, ₱19.73 million and ₱14.86 million in 2022, 2021 and 2020, respectively (Note 24).

As at December 31, 2022 and 2021, no property and equipment items were pledged as security.



14. Leases

Group as a lessor

IPO'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:

	2022	2021
Within one year	₱74,235,000	₱75,419,000
More than one year but not more than five years	315,474,000	285,777,000
Later than five years	168,035,000	76,996,000
	₱557,744,000	₱438,192,000

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 2 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. The Parent Company's lease contract term is one (1) year and includes renewal option for another year subject to mutual agreement of the lessee and lessor. Management exercises significant judgement in determining whether the renewal option is reasonably certain to be exercised.
- b. Starting January 2007, EEI and EEI 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 entered into a sublease agreement for a lease of 2,459.22 square meters of land in Clark City, Pampanga. Lease term is until 2085.
- d. 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.
- 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% starting the second year of lease. This was renewed for a period of five (5) years covering July 7, 2021 to July 6, 2026.
- f. In June 2020, the EEI Group entered into a lease of parcel of land for a period of fourteen (14) months commencing on July 1, 2020 and expiring on August 31, 2021. The said lease is no longer renewed.



- g. In December 2022, the EEI Group entered into a lease contract with EEI-RFI for the lease of land and improvements where its fabricated shop is located. The lease is for a term of 5 years with annual escalation of 5%.
- h. IPO leases building spaces for office and school sites and annexes from third-party lessors for a period ranging from one to ten years. The Group applies the ‘short-term lease’ recognition exemption for those leases with lease term of one year or less.
- i. 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, 2022	1 year	₱324,802
Rizal Commercial Banking Corporation	July 25, 2020	3 years	134,474*
Rizal Commercial Banking Corporation	January 1, 2020	5 years	13,899
Grepa Realty Holdings Corporation	January 1, 2022	1 year	7,252*

**subject to 5% annual escalation rate*

Rent expense recognized in 2022, 2021 and 2020 amounted ₱5.7 million, ₱4.9 million and ₱5.7 million, respectively.

Future minimum lease payments of above lease agreements as at December 31 are as follows:

	2022	2021
Within one year	₱1,178,201	₱1,656,391
After one year but not more than five years	183,896	1,028,245
	₱1,362,097	₱2,684,636

- j. 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 2022, 2021 and 2020 amounted to ₱0.69 million, ₱0.68 million and ₱0.66 million respectively.
- k. 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. In 2022, another canteen space started to lease from Malayan Colleges Mindanao. These lease agreements cover a period of one year with monthly lease payments ranging from ₱4,464 to ₱159,936.
- l. 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.
- m. In 2020, the Group pre-terminated the lease contracts of property used by the following closed car dealership branches:

Closed Branches	Contract Date	Contract End Date	Date Terminated
Honda Cars Fairview	April 24, 2014	April 23, 2020	June 30, 2020
Honda Cars Marikina	January 1, 2009	June 15, 2020	June 30, 2020
Honda Cars Marcos Highway	June 1, 2013	May 31, 2023	July 30, 2020
Isuzu Greenhills	January 26, 2009	January 25, 2024	June 30, 2020



The carrying amount of right-of-use assets and the movement for the years ended December 31 follow:

	2022	2021	2020
Balance at beginning of year	₱1,106,174,929	₱1,271,074,183	₱1,605,726,653
Additions	265,110,318	56,387,533	41,738,517
Derecognition	(1,277,968)	(11,780,572)	(156,244,383)
Amortization of right-of-use asset	(175,242,731)	(209,506,215)	(220,146,604)
Balance at end of year	₱1,194,764,548	₱1,106,174,929	₱1,271,074,183

In 2022, the carrying amounts of leased land, land improvements and sites, building, office spaces and warehouses and other equipment are ₱1,041.7 million, ₱139.5 million and ₱13.6 million, respectively.

In 2021, the carrying amounts of leased land, land improvements and sites, building, office spaces and warehouses and other equipment are ₱891.1 million, ₱202.7 million and ₱12.4 million, respectively.

The distribution of the amortization of the Group's right-of-use assets follow:

	2022	2021	2020
Cost of sales and services			
Construction contracts (Note 27)	₱22,450,811	₱58,227,556	₱71,004,873
Tuition and other fees (Note 28)	51,833,674	52,013,000	4,628,679
	74,284,485	110,240,556	75,633,552
General and administrative expenses	100,958,246	99,265,659	144,513,052
	₱175,242,731	₱209,506,215	₱220,146,604

The carrying amount of lease liability and the movement for the years ended December 31 follow:

	2022	2021	2020
Balance at beginning of year	₱1,115,360,254	₱1,250,332,847	₱1,538,664,329
Interest expense	68,565,220	97,449,099	107,042,613
Additions	322,091,268	35,299,308	94,311,240
Derecognition	(19,654,597)	(52,838,575)	(202,137,944)
Payments	(107,531,867)	(214,882,425)	(287,547,391)
Balance at end of year	1,378,830,278	1,115,360,254	1,250,332,847
Less: Current portion	168,473,399	124,406,516	164,647,368
Noncurrent portion	₱1,210,356,879	₱990,953,738	₱1,085,685,479

Derecognition pertains to termination of lease contracts of closed car dealership branches. The difference between right-of-use asset and lease liability is accounted for under miscellaneous expense of General and administrative expenses in the consolidated statement of income (Note 29).



The following are the amounts recognized in consolidated statement of income:

	2022	2021	2020
Amortization of right-of-use assets under cost of sales and services (Notes 27, 28, and 30)	₱74,284,485	₱110,240,556	₱75,633,552
Amortization of right-of-use assets under general and administrative expenses (Notes 29 and 30)	100,958,246	99,265,659	144,513,052
Gain on derecognition of right-of-use assets and lease liabilities	(18,376,629)	(41,058,003)	(45,893,561)
Interest expense on lease liabilities	68,565,220	97,449,099	107,042,613
Expenses relating to short-term leases and low value assets	12,528,360	19,980,316	15,438,735
	₱237,959,682	₱285,877,627	₱296,734,391

The COVID-19-related lease concessions amounting to ₱19.42 million were accounted as negative variable lease expense charged against depreciation and amortization under General and administrative expense account in the 2020 consolidated statement of income.

Shown below is the maturity analysis of the undiscounted lease payments for years ended December 31 as follow:

	2022	2021
Within one year	₱239,499,588	₱229,589,347
After one year but not more than five years	816,997,091	823,985,041
Five years and more	721,251,232	480,640,298
Total	₱1,777,747,911	₱1,534,214,686

15. Goodwill

The carrying amount of goodwill allocated to each of the CGUs follows:

	2022	2021
EEI Corporation and Subsidiaries	₱300,859,305	₱300,859,305
MESI	137,853,346	137,853,346
IPO	32,644,808	32,644,808
Business combination of IPO and AEI	13,472,260	13,472,260
	₱484,829,719	₱484,829,719

Goodwill of EEI and IPO

The Group performed impairment testing on goodwill arising from acquisition of EEI and IPO. For purposes of impairment testing, EEI and IPO are considered as the CGUs.

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, 2022 and 2021 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.



In 2022, 2021 and 2020, Management assessed that the recoverable amount of the goodwill balances exceed their carrying values, thus, no impairment loss should be recognized.

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 CGU to which the goodwill was attributed to materially exceed its recoverable amount.

Goodwill of MESI

The goodwill recognized in the consolidated statement of financial position amounting ₱137.85 million as at December 31, 2022 and 2021 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.

The Group performed impairment testing on goodwill arising from acquisition of MESI wherein MESI was considered as the CGU.

In 2022, 2021 and 2020, Management assessed that the recoverable amount of the goodwill balances exceed their carrying values, thus, no impairment loss should be recognized.

Key assumptions used in the value in use (VIU) calculation

As at December 31, 2022 and 2021, 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 and revenue growth rates. Cash flow projections based on financial budgets approved by management covering a five-year period and considers the impact of the coronavirus pandemic, among others.
- Long-term growth rates (5.79% for 2022 and 4.84% for 2021). The Long-term growth rate is the expected growth rate in the education industry sector.
- Discount rate (14% for 2022 and 11% for 2021). 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 IPO'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.

In 2022, 2021 and 2020, Management assessed that no impairment loss should be recognized.

Goodwill arising from Business Combination

With the effectivity of the merger on May 2, 2019 between IPO and AC Education, Inc. (AEI), the wholly owned education arm of Ayala Corporation (AC), IPO became 48.18% owned by HI and 33.5% owned by AC.

As a result of the merger, IPO issued to AC an aggregate of 295,329,976 shares with par value of ₱1.0 per share for a total fair value of ₱3,591.21 million based on IPO's quoted closing rate per share as of May 2, 2019 in exchange for the transfer of the net assets of AEI. The excess of the fair value of shares issued over the par value was recognized as additional paid-in capital.



The IPO Group recognized the following intangible assets in 2019 as a result of the merger (amount in thousands):

Intellectual property rights	₱523,103
Student relationship	116,009
Goodwill	13,472
	₱652,584

Intellectual property rights have infinite life and the student relationship have an estimated useful life of 5 years to 7 years based on the contractual relationship between the school entities and its students. These assets are attributed from the acquisition of operating schools NTC, APEC and UNC.

Intellectual Property Rights

As of December 31, 2022 and 2021, the Group performed impairment testing on intellectual property rights using the income approach (royalty relief method) wherein recoverable value is computed based on royalty savings.

Key assumptions used are as follows:

- Revenue projections and long-term growth rate (3% for 2022 and 2021). Revenue projections based on financial budgets approved by management and considers the impact of the coronavirus pandemic. The long-term growth rate is the expected growth rate in the education industry sector.
- Discount rates (16% to 17% for 2022 and 14% to 15% for 2021). 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 comparable listed companies in the educational sector.
- Royalty rates (1% to 6% for 2022 and 2021). This is based on the publicly available information on franchising of educational institutions in the Philippines, with consideration on the operational risk of the involved entity.

The IPO Group's impairment testing on intellectual property rights resulted to the recognition of ₱32.2 million impairment loss on APEC in 2022 (nil in 2021 and 2020) and presented as part of General and administrative expense in the consolidated statement of income. The carrying value of intellectual property rights as of December 31, 2022 and 2021 amounted to ₱490.9 million and ₱523.1 million, respectively.

Student Relationship

The carrying value and movement of student relationship as of and for the year ended December 31 follows (amount in thousands):

	2022	2021
Cost from business combination	₱116,009	₱116,009
Accumulated amortization:		
Beginning balance	(72,248)	(37,184)
Amortization and impairment	(33,002)	(35,064)
Ending balance	(105,250)	(72,248)
Balance at end of the year	₱10,759	₱43,761

Amortization amounted to ₱33.0 million and ₱22.3 million in 2022 and 2021. In 2021, the IPO Group recognized ₱12.8 million impairment loss on APEC student relationship because the remaining students from the time of the merger in 2019 significantly decline as of December 31, 2021 due to the impact of coronavirus pandemic.



16. Investment Properties

The rollforward analysis of this account follows:

2022

	Land	Building and building improvements	Machinery and equipment	Total
Cost				
Balance at beginning of year	₱1,977,542,213	₱-	₱-	₱1,977,542,213
Acquisitions	3,344,425,000	2,624,140,525	187,409,475	6,155,975,000
Disposals	(420,500)	-	-	(420,500)
Balance at end of year	5,321,546,713	2,624,140,525	187,409,475	8,133,096,713
Accumulated Depreciation				
Balance at beginning of year	-	-	-	-
Depreciation (Note 27)	-	20,185,696	3,748,190	23,933,886
Balance at end of year	-	20,185,696	3,748,190	23,933,886
Net Book Value	₱5,321,546,713	₱2,603,954,829	₱183,661,285	₱8,109,162,827

2021

Cost:

Balance at beginning of year	₱1,977,608,213
Disposals	(66,000)
Balance at end of year	₱1,977,542,213

Land classified as investment properties include the following:

- Parcel of land located in Makati owned by SLRHSI with the carrying value of ₱1,763.30 million.
- Other parcels of land owned by EEI located in Benguet, Cavite, Nueva Ecija, and Bulacan with carrying values of ₱6.6 million, ₱0.5 million, ₱0.2 million, and ₱7.0 million, respectively, as of December 31, 2022. Carrying values of parcels of land located in Benguet, Cavite, Nueva Ecija, Bulacan and memorial lots in Las Piñas were ₱6.6 million, ₱0.5 million, ₱0.2 million, ₱7.0 million and ₱0.2 million, respectively, as of December 31, 2021.
- Heritage lots held for capital appreciation of the Parent Company amounted to ₱1.7 million and ₱2.0 million as of December 31, 2022 and 2021, respectively.

Additions pertain to parcel of land, building and building improvements and machinery and equipment situated in Taguig City owned by ATYC with carrying value of ₱6,132.04 million, which was acquired by the Parent Company in 2022.

Depreciation expense recognized on Investment properties in 2022 amounted to ₱23.93 million is accounted for under Cost of services in the consolidated statement of income (Note 27).

In 2022 and 2021, the Group sold parcels of land located in various locations for ₱2.44 million and ₱0.1 million, respectively. The Group recognized a gain of ₱2.05 million and ₱0.01 million in 2022 and 2021, respectively in relation to the sale.



As of December 31, 2022, the aggregate fair values of Investment properties amounted to ₱10.05 billion, which was determined based on valuation performed by an independent SEC accredited appraiser in 2022. 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).

Rental income derived from the investment properties amounted to ₱181.78 million, ₱0.3 million, and ₱1.2 million in 2022, 2021 and 2020, respectively (Note 23). Total direct expenses incurred in relation to these investment properties amounted to ₱73.73 million, nil and ₱0.1 million in 2022, 2021 and 2020, respectively.

None of the investment properties were pledged as a security to obligations as of December 31, 2022 and 2021.

17. Other Noncurrent Assets

This account consists of:

	2022	2021
Loans receivable	₱1,200,000,000	₱–
CWT - net of current portion	857,168,028	924,336,073
Intellectual property rights (Note 15)	490,882,064	523,103,000
Miscellaneous deposit	40,721,209	27,081,140
Computer software	31,456,026	27,336,914
Deferred input VAT	26,982,216	162,009,652
Student relationship (Note 15)	10,759,086	43,761,227
Receivable from DANECO	–	54,570,275
Others	152,748,155	49,781,088
	₱2,810,716,784	₱1,811,979,369

In December 2022, the Group, thru EEI entered into an agreement with EEI-RFI granting a loan amounting to ₱1.20 billion to the latter. The loan is to be paid in 10 annual installments commencing in 2025 with annual interest rate of 5%.

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.



As of December 31, 2022, the average remaining useful of the computer software is 1 to 2 years.

Rollforward of computer software follows:

	2022	2021
Cost		
Balance at beginning of year	₱163,955,660	₱144,137,032
Additions	17,403,328	20,131,041
Reclassification	-	(312,413)
Balance at end of year	181,358,988	163,955,660
Accumulated Amortization		
Balance at beginning of year	136,618,746	130,902,215
Amortization (Note 30)	13,284,216	5,716,531
Balance at end of year	149,902,962	136,618,746
Net Book Value	₱31,456,026	₱27,336,914

18. Accounts Payable and Other Current Liabilities

This account consists of:

	2022	2021
Accounts payable	₱5,669,425,919	₱5,919,553,024
Deferred output taxes	305,215,529	277,084,033
Output tax payable	292,171,632	137,643,666
Accrued expenses	256,799,240	288,359,148
Withholding taxes and others	174,456,359	109,946,406
Provisions (Note 35)	168,717,150	159,266,271
SSS and other contributions	57,141,763	47,316,542
Dividends payable	26,153,938	2,137,962
Chattel mortgage payable	8,986,234	10,294,436
Payable to Land Transportation Office	4,180,525	4,227,497
Deferred income	2,663,589	2,173,986
Others	57,697,873	79,258,907
	₱7,023,609,751	₱7,037,261,878

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:

	2022	2021
Accrued salaries and wages	₱51,251,570	₱20,687,569
Accrued interest	17,352,492	68,985,444
Accrued professional fees	16,648,558	15,359,000
Accrued security services	8,505,172	15,805,414
Accrued utilities	7,777,006	4,311,000
Accrued insurance	4,855,724	23,935,800
Others	150,408,718	139,274,921
	₱256,799,240	₱288,359,148



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:

	2022	2021
Unsecured bank loans	₱8,217,000,000	₱5,306,469,178
Secured bank loans	–	400,000,000
	₱8,217,000,000	₱5,706,469,178

Unsecured

Unsecured bank loans are obtained from local banks and related party financial institutions with annual interest rates ranging from 4.625% to 6.5% and 2.50% to 5.50% in 2022 and 2021, 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%. STL facility amounting to ₱400.0 million as at December 31, 2021 was paid in 2022.

Movements in loans payable during the years ended December 31 follow:

	2022	2021
Balance at beginning of year	₱5,706,469,178	₱7,982,000,000
Availments	16,510,806,863	10,778,700,000
Payments	(14,000,276,041)	(13,054,230,822)
Balance at end of year	₱8,217,000,000	₱5,706,469,178

Interest expense incurred on these loans amounted to ₱186.34 million, ₱319.48 million and ₱434.3 million in 2022, 2021 and 2020, respectively.



20. Long-term Debt

This account consists of:

	2022	2021
Fixed-rate corporate promissory notes	₱7,016,954,132	₱8,078,421,328
Fixed-rate term loan	2,014,569,147	2,059,441,662
	9,031,523,279	10,137,862,990
Less: Current portion of long-term debt	3,218,142,674	3,547,206,477
Reclassification to current liability of secured loan	1,496,622,385	-
	4,714,765,059	3,547,206,477
	₱4,316,758,220	₱6,590,656,513

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. In 2020, the loan was fully settled.

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. The loan was fully paid in 2021.

On June 15, 2015, the Group through EEI received ₱1,000.0 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. The loan was fully paid on March 31, 2021.

On May 23, 2018, the Group through EEI received ₱2,000.0 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 through EEI received ₱909.0 million proceeds from the issuance of an unsecured fixed-rate corporate promissory note to a local bank that bears annual interest of 3.9%. 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. The loan was fully paid in November 11, 2022.

On October 15, 2020, the Group through EEI received ₱3,000.0 million proceeds from the issuance of an unsecured fixed-rate corporate promissory note to a local bank that bears annual interest of 3.5%. The promissory note matures within three (3) years from the date of issuance.

On November 23, 2020, the Group through EEI received ₱1,000.0 million proceeds from the issuance of an unsecured fixed-rate corporate promissory note to a local bank that bears annual interest of 3.3%. The promissory note matures within three (3) years from the date of issuance.



On March 22, 2021, the Group through EEI received ₱1,500.0 million proceeds from the issuance of an unsecured fixed-rate corporate promissory note to a local bank that bears annual interest of 4.5%. The promissory note matures within three (3) years from the date of issuance.

On October 7, 2021, the Group through EEI received ₱2,500.0 million proceeds from the issuance of an unsecured fixed-rate corporate promissory note to a local bank that bears annual interest of 4.8%. The promissory note matures within three (3) years from the date of issuance.

On December 3, 2021, the Group through EEI received ₱1,500.0 million proceeds from the issuance of an unsecured fixed-rate corporate promissory note to a local bank that bears annual interest of 3.4%. 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.

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. The loan was prepaid in 2021.

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 0.05%. 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 0.30%. The loan is payable in equal semi-annual installments and will mature on September 13, 2030.

On April 24, 2020, BiotechJP availed an unsecured ₱21.8 million long-term loan from a foreign bank that bears an annual interest based from floating rate. In absence of quotations, if the then-current Floating Rate is USD LIBOR and no rate is quoted pursuant to the definition of USD LIBOR on any Quotation Date, the applicable Floating Rate shall be the average (rounded upwards, if necessary, to the nearest one-sixteenth of one per cent (1/16%)) of the rates per annum. The loan is payable in 18 equal semi-annual installments and will mature on September 13, 2030.

On September 25, 2020, BiotechJP availed an unsecured ₱92.3 million long-term loan from Biotech Japan Corporation that bears an annual interest of 3.0%. The loan is payable in equal semi-annual installments and will mature on March 31, 2030.

IPO

IPO, through NTC, entered into a 10-year unsecured term loan facility with a third party local bank for ₱650.0 million to finance its building refurbishment and/or expansion. The principal payments will be made in 28 quarterly payments starting May 2022. As of December 30, 2020, total drawdown from the long-term loan facility amounted to ₱380 million. The ₱300 million is subject to 5.5% fixed rate and the ₱80 million is subject to annual repricing based on higher of 5.5% 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.



In September 2021, the ₱80 million is converted to a 5.5% fixed rate.

The loan is subject to certain covenants including maintaining a maximum debt-to-equity structure ratio of 3:1. As of December 31, 2022 and 2021, NTC has complied with its covenant obligations, including maintaining the required debt-to-equity ratio.

In 2019, the IPO Group, through MCMI, entered into a ten-year secured long-term loan agreement with a local bank for ₱1,500.0 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 ₱680.0 million, ₱350.0 million and ₱470.0 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 with carrying value of ₱2,385.0 million and ₱2,382.0 million as of December 31, 2022 and 2021, respectively, and suretyship of MESI. The loans were subject to certain positive and negative covenants such as the requirement for MCMI 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 of January 2019.

In April 2022, MCMI requested the bank to waive the compliance in D:E ratio requirement in 2022. In February 2023, the bank confirmed in writing the approval of the non-declaration of MCMI in default for not meeting the required financial covenant for D:E ratio for as long as MCMI continues to follow the existing payment term/schedule and other terms and conditions stipulated in the loan agreement.

As of December 31, 2022, the D:E ratio of 77:23 did not meet the required D:E ratio. Hence, MCMI classified the loan from bank amounting to ₱1.5 billion as current liability. The loans were reclassified from noncurrent to current because the letter from the bank was issued after December 31, 2022. Although the loans are classified as current as of December 31, 2022, it will remain long-term based on the terms of the loan agreement and will not be paid in the next twelve months. The reclassification was done to comply with PFRS.

ATYC

On September 29, 2022, the Company received ₱2.4 billion proceeds from the issuance of promissory note to RCBC that bears annual interest of 6.04%. The promissory note matures within three (3) years from the date of issuance.

Movements in the account follow:

	2022	2021
Balance at beginning of year	₱10,137,862,990	₱7,420,302,136
Availments	2,419,177,388	5,500,000,000
Reclassification	1,496,622,385	-
Payments	(5,036,648,457)	(2,784,810,550)
Transaction costs	14,508,973	2,371,404
Balance at end of year	9,031,523,279	10,137,862,990
Less current portion	(4,714,765,059)	(3,547,206,477)
	₱4,316,758,220	₱6,590,656,513



Interest expense incurred on these loans amounted to ₱398.5 million, ₱273.6 million and ₱159.4 million in 2022, 2021 and 2020, respectively (Note 31).

The aforementioned loans require the Group to maintain certain financial ratios such as debt to equity ratio, current ratio and debt service coverage ratio calculated based on stipulation with the lender banks. As of December 31, 2022, the Group was in compliance with all other loan covenants.

21. EEI's Stock Option Plan

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 Group.

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

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):

Category	2022		Terms	Conditions
	Amount/ Volume	Outstanding Balance Receivable (Payable)		
Parent Company - PMMIC				
a. Accounts payable	₱2,389	(₱61)	Noninterest-bearing	Unsecured
Miscellaneous expenses incurred	2,400	–		
Associates				
b. Dividends earned	41,590	7,502	Noninterest-bearing	Unsecured, no impairment
c. Receivables from related parties	–	1,742	Noninterest-bearing	Unsecured, with impairment
Rendering management and audit services	2,897	–		
Rendering of services	–	125,258	Noninterest-bearing	Unsecured, no impairment
d. Due to related parties	–	(1,562)	Noninterest-bearing	Unsecured
Other affiliates				
e. Sale of property	365,116	8,493	Noninterest-bearing	Unsecured
Rendering of construction services	–	1,387	Noninterest-bearing	Unsecured
Lease of property	(8,186)	123,512	Noninterest-bearing	Unsecured
Loans	1,200,000	1,200,000	Interest bearing, 5% per annum	Unsecured, no impairment
Entities under common control				
f. Cash and cash equivalents	43,368	2,612,181	Interest-bearing at prevailing bank deposit rates	Unrestricted
Interest earned	21,731	–	–	–
Trust fees	–	–	–	–
g. Accounts receivable - Trade	–	47,197	Noninterest-bearing	Unsecured, no impairment
Sale of vehicles	52,013	–	–	–
Agency fee income earned	81,191	–	–	–
h. Dividends earned	1	–	–	–
i. Receivables from related parties	–	61,635	Noninterest-bearing	Unsecured, no impairment
Rendering janitorial service	381,887	–	–	–
Other income earned	–	–	–	–
Audit fee income earned	–	–	–	–
j. Management fee receivable	–	44,054	Noninterest-bearing	Unsecured, no impairment
Rendering management services	197,458	–	–	–
k. Accounts payable and accrued expenses	–	–	–	–
Rental of office space	6,050	–	–	–
l. Insurance expense	14,927	–	–	–
Entities with significant influence				
m. Management fee receivable	9,000	–	–	–
Due to related parties	–	–	–	–



Category	2021		Terms	Conditions
	Amount/ Volume	Outstanding Balance Receivable (Payable)		
Parent Company - PMMIC				
a. Accounts payable	₱10,615	(₱1,135)	Noninterest-bearing	Unsecured
Miscellaneous expenses incurred	10,615	–		
Associates				
b. Dividends earned	124,620	10,415	Noninterest-bearing	Unsecured, no impairment
c. Receivables from related parties	–	2,429	Noninterest-bearing	Unsecured, with impairment
Rendering management and audit services	2,373	–		
Rendering of services	–	30,070	Noninterest-bearing	Unsecured, no impairment
d. Due to related parties	154,123	–	Noninterest-bearing	Unsecured
Other affiliates				
e. Sale of property	342	–	Interest-bearing, 5% per annum	Unsecured, with impairment
Rendering of construction services	144	–		
Lease of property	(74,464)	–	Non-interest bearing	Unsecured
Entities under common control				
f. Cash and cash equivalents	–	3,303,797	Interest-bearing at prevailing bank deposit rates	Unrestricted
Interest earned	12,232	–		
Trust fees	6,532	–		
g. Accounts receivable - Trade	293,004	81,805	Noninterest-bearing	Unsecured, no impairment
Sale of vehicles	113,256	–		
Agency fee income earned	50,764	–		
h. Dividends earned	545	–		
i. Receivables from related parties	2,282	48,582	Noninterest-bearing	Unsecured, no impairment
Rendering janitorial service	350,970	–		
Other income earned	475	357	Noninterest-bearing	Unsecured, no impairment
Audit fee income earned	2,282	–		
j. Management fee receivable	–	59,607	Noninterest-bearing	Unsecured, no impairment
Rendering management services	160,107	–		
k. Accounts payable and accrued expenses	–	15	Noninterest-bearing	Unsecured
Rental of office space	8,606	–		–
l. Insurance expense	13,284	–		–
Entities with significant influence				
m. Management fee receivable	10,802	–	–	–
Due to related parties	–	3,136	Noninterest-bearing	Unsecured, no impairment

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, 2022 and 2021 amounted to ₱0.06 million and ₱1.1 million, respectively.



Associates

- b. In 2022 and 2021, dividend income earned from associates amounted to ₱41.6 million and ₱124.6 million, respectively. Outstanding dividends receivable from associates as at December 31, 2022 and 2021 amounted to ₱7.5 million and ₱10.4 million, respectively.
- c. 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, 2022 and 2021, the Group has an outstanding receivable from its associates amounting ₱127.0 million and ₱32.5 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.
- d. Due to related parties pertains to advances extended by EEI Limited to ARCC. As at December 31, 2022 and 2021, the Group has an outstanding payable to its associates amounting ₱1,562.0 million.

Other affiliates

- e. 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 ₱123.5 million and nil as of December 31, 2022 and 2021 respectively. Interest income earned from receivable from EEI-RFI amounted to nil, ₱0.3 million and ₱3.2 million for the years ended December 31, 2022, 2021 and 2020, respectively.

In December 2022, EEI entered into a sale and leaseback transaction with EEI-RFI, a trustee of the Parent Company employees retirement fund (the Fund) for parcels of land sold located in Bauan, Batangas. The related lease is for a term of 5 years, with an annual escalation rate of 5%.

In December 2022, EEI extended a loan to EEI-RFI amounting to ₱1.2 billion payable in 10 annual installments commencing in 2025. The loan bears an annual interest of 5%.

Entities under common control of PMMIC

- f. The Group maintains cash and cash equivalents with RCBC, an entity under common control. As at December 31, 2022 and 2021, cash and cash equivalents with RCBC amounted to ₱2,612.2 million and ₱3,303.8 million, respectively. The related deposits earn interest at the prevailing bank deposit rates. Interest income earned from cash and cash equivalents amounted to ₱21.7 million, ₱12.2 million and ₱18.7 million in 2022, 2021 and 2020, respectively.
- g. The Group generates income by providing security services at a 20% mark-up to entities under common control. In 2022, 2021 and 2020, the Group's agency fee income is attributable to security services provided to majority of RCBC branches in the country. As at December 31, 2022 and 2021, the Group's accounts receivable from RCBC amounted to ₱47.2 million and ₱81.8 million, respectively. Agency fees amounted to ₱81.2 million, ₱50.8 million and ₱53.3 million in 2022, 2021 and 2020, 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 nil as at



December 31, 2022 and 2021. Revenues from motor vehicle sales amounted to ₱52.1 million, ₱113.3 million and ₱77.5 million in 2022, 2021 and 2020, respectively.

- h. Dividend income earned in 2022, 2021 and 2020 from entities under common control of PMMIC amounted to nil, ₱0.55 million and ₱0.31 million, respectively. Dividends were all collected in 2022 and 2021.
- i. Receivable from related parties arises mainly from janitorial services rendered by EEI (GAMSI) to the Group's affiliates. The service revenue earned from janitorial services rendered in 2022, 2021 and 2020 amounted to ₱381.9 million, ₱351.0 million and ₱225.9 million, respectively.
- j. 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 ₱44.1 million and 59.6 million as at December 31, 2022 and 2021, respectively. Services fees amounted to ₱197.5 million, ₱160.1 million and ₱104.6 million in 2022, 2021 and 2020, respectively.
- k. Payable to an entity under common control pertains to rental of office space and share in the utilities expense of the Group amounting to ₱6.1 million and ₱8.6 million as at December 31, 2022 and 2021, respectively.
- l. 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.
- m. In 2022 and 2021, payable to an entity with significant influence mainly pertains to management fees charged for the administration of the operations of IPO amounting to ₱9.0 million and ₱10.8 million, respectively.

The Group maintains its retirement fund with RCBC trust division. As at December 31, 2022 and 2021, the fair values of the plan assets of the retirement fund amounted to ₱1,629.7 million and ₱1,749.4 million, respectively (Note 32). Trust fees amounting to ₱5.57 million, ₱6.5 million and ₱6.2 million were recognized by the retirement plan arising from its transactions with RCBC for the years ended December 31, 2022, 2021 and 2020, respectively.

Remuneration of key management personnel

The remuneration of directors and other members of key management of the Group are as follows:

	2022	2021	2020
Compensation and short-term benefits	₱621,750,482	₱538,722,773	₱422,792,086
Post-employment benefits	24,827,707	37,690,202	28,962,153
	₱646,578,189	₱576,412,975	₱451,754,239

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, 2022 and 2021. 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:

	2022	2021	2020
Construction contracts	₱12,528,768,650	₱14,942,556,591	₱12,631,990,026
Sales of goods	4,497,925,608	3,580,696,783	3,810,574,547
Schools and related operations	3,944,946,284	3,351,067,232	3,017,106,523
Power-related services	882,809,648	97,052,592	-
Manpower	624,787,528	568,014,461	555,262,502
Others	1,426,048,717	1,059,686,662	1,161,141,459
	₱23,905,286,435	₱23,599,074,321	₱21,176,075,057

Included in Others are rental income amounting to ₱181.78 million in 2022 (nil in 2021 and 2020) and other income from car repairs and maintenance services, among others (Note 16).

Disaggregation of Revenue from construction contracts:

	2022	2021	2020
Building	₱5,751,318,973	₱6,825,132,430	₱4,113,537,063
Infrastructure	2,239,205,309	5,048,584,055	6,503,627,515
Industrial	3,343,019,707	2,426,797,483	444,691,963
Electro-mechanical	1,195,224,661	642,042,623	1,570,133,485
	₱12,528,768,650	₱14,942,556,591	₱12,631,990,026

Disaggregation of Revenue from sale of goods:

	2022	2021	2020
Merchandise sales	₱4,493,945,362	₱3,566,667,120	₱3,777,839,060
Real estate sales	3,980,246	14,029,663	32,735,487
	₱4,497,925,608	₱3,580,696,783	₱3,810,574,547



Disaggregation of Revenue from schools and related operations:

	2022	2021	2020
Tuition and other matriculation fees	₱3,646,494,492	₱3,281,270,686	₱2,950,748,493
Other student-related income:			
Seminar fee income	12,071,883	6,443,958	4,352,513
Bookstore sales	19,940,975	2,850,419	7,589,123
Others	266,438,934	60,502,169	54,416,394
	₱3,944,946,284	₱3,351,067,232	₱3,017,106,523

Performance obligations

Information about the Group's performance obligations are summarized below:

The transaction price allocated to the remaining performance obligations of the Group (unsatisfied or partially unsatisfied) in connection with the construction contracts that have an original expected duration of more than one year (otherwise known as backlogs) as at December 31 are as follows:

	2022	2021	2020
Within one year	₱12,454,978,158	₱12,448,951,193	₱12,653,212,583
More than one year	19,547,810,287	18,517,252,543	30,942,788,536
	₱32,002,788,445	₱30,966,203,736	₱43,596,001,119

24. Other Income - Net

This account consists of:

	2022	2021	2020
Gain on sale of assets (Notes 13 and 16)	₱385,272,887	₱19,746,850	₱15,059,741
Income from reversal of payable	119,568,427	-	-
Interest income (Notes 6 and 7)	107,629,251	18,758,054	36,588,692
Foreign exchange gain	40,582,623	10,151,384	-
Space and car rental	12,198,674	18,346,346	8,658,371
Dividend income (Note 11)	10,614,069	35,266,666	37,855,583
Rental income	8,208,017	5,744,844	6,418,072
Miscellaneous	58,496,575	83,965,928	24,187,674
	₱742,570,523	₱191,980,072	₱128,768,133

Gain on sale of assets arose from the sale of the following assets:

	2022	2021	2020
Property and equipment (Note 13)	₱383,220,587	₱19,732,100	₱14,855,241
Investment properties (Note 16)	2,052,300	14,750	204,500
	₱385,272,887	₱19,746,850	₱15,059,741

In 2022, certain payables that were long-outstanding amounting to ₱119.81 million were written-off and recognized as other income. Based on management's assessment, the settlement of these payables is remote.



Interest income consists of income from:

	2022	2021	2020
Cash and cash equivalents (Note 6)	₱105,892,334	₱10,552,161	₱25,104,821
Installment contract receivable (Note 7)	1,311,766	1,222,926	2,288,438
Receivable from EEI-RFI (Notes 7, 17 and 22)	-	342,262	3,237,599
Others	425,151	6,640,705	5,957,834
	₱107,629,251	₱18,758,054	₱36,588,692

Miscellaneous include income from sale of sludge and used oil, rebate from purchase of fuel, commission income, income from reversal of impairment, among others.

25. Costs of Sales and Services

This account consists of:

	2022	2021	2020
Cost of services (Note 27)			
Cost of construction contracts	₱10,690,843,098	₱13,367,776,852	₱15,038,354,818
Cost of manpower and other services	2,131,517,697	1,154,849,552	1,125,289,917
	12,822,360,795	14,522,626,404	16,163,644,735
Cost of goods sold			
Cost of merchandise sold (Notes 9 and 26)	4,266,290,200	3,331,543,396	3,624,366,462
Cost of real estate sold (Note 9)	3,132,313	7,514,694	22,465,250
	4,269,422,513	3,339,058,090	3,646,831,712
Cost of tuition and other fees (Note 28)	2,259,171,742	1,914,579,015	2,015,408,058
	₱19,350,955,050	₱19,776,263,509	₱21,825,884,505

26. Cost of Merchandise Sold

This account consists of (Notes 9 and 25):

	2022	2021	2020
Inventory, beginning	₱1,304,326,975	₱1,657,262,683	₱2,122,740,026
Purchases	4,184,324,123	2,963,847,860	3,149,623,135
Total goods available for sale	5,488,651,098	4,621,110,543	5,272,363,161
Less inventory end	1,264,969,493	1,304,326,975	1,657,262,683
Cost of inventories sold	4,223,681,605	3,316,783,568	3,615,100,478
Personnel expenses	33,917,416	9,506,042	5,957,078
Others	8,691,179	5,253,786	3,308,906
	₱4,266,290,200	₱3,331,543,396	₱3,624,366,462



27. Cost of Services

	2022	2021	2020
Cost of construction contracts (Note 25)			
Labor	₱5,182,108,357	₱6,562,578,720	₱6,592,720,054
Materials	2,763,017,237	3,296,936,017	4,745,558,101
Equipment costs and others	2,396,014,378	3,081,354,857	3,182,242,113
Depreciation and amortization (Notes 13 and 14)	349,703,126	426,907,258	517,834,550
	10,690,843,098	13,367,776,852	15,038,354,818
Cost of manpower and other services (Note 25)			
Personnel expenses	905,851,268	762,332,402	626,705,529
Power-related services	801,248,304	87,100,486	-
Materials	225,746,440	218,494,291	238,395,229
Depreciation and amortization (Notes 13 and 16)	56,164,933	9,803,937	13,483,485
Parts, accessories and others	142,506,752	77,118,436	246,705,674
	2,131,517,697	1,154,849,552	1,125,289,917
	₱12,822,360,795	₱14,522,626,404	₱16,163,644,735

28. Cost of Tuition and Other Fees

This amount consists of:

	2022	2021	2020
Personnel expenses	₱1,086,584,504	₱1,032,944,491	₱1,037,807,796
Depreciation and amortization (Notes 13 and 14)	338,314,735	344,365,937	372,612,389
Student-related expenses	158,724,908	70,926,030	100,529,199
Management and other professional fees	142,905,191	91,715,625	129,207,556
Periodicals	139,507,039	94,060,084	89,553,547
IT expense - software license	98,622,799	79,619,671	76,467,455
Utilities	82,589,418	50,130,961	61,547,432
Advertising	45,019,490	30,388,180	18,478,261
Accreditation cost	31,267,549	23,077,466	31,681,806
Repairs and maintenance	34,443,423	24,628,924	20,049,447
Tools and library books (Note 13)	27,907,252	15,991,777	17,587,086
Research and development fund	20,403,120	19,870,434	10,738,408
Insurance	13,886,139	10,325,336	10,600,753
Seminar	11,179,819	7,620,601	7,266,635
Taxes and licenses	7,296,766	7,978,310	7,320,662
Transportation and travel	4,134,122	1,150,313	917,313
Office supplies	3,756,042	2,432,053	6,437,394
Laboratory supplies	3,191,620	1,600,975	3,727,810
Rent	2,687,795	265,208	183,544
Entertainment, amusement and recreation	1,775,372	1,124,314	1,209,702
Miscellaneous	4,974,639	4,362,325	11,483,863
	₱2,259,171,742	₱1,914,579,015	₱2,015,408,058



29. General and Administrative Expenses

This account consists of:

	2022	2021	2020
Personnel expenses	₱1,243,680,502	₱1,247,399,922	₱1,349,418,384
Depreciation and amortization (Notes 13, 14, 17 and 30)	435,515,539	367,055,473	465,198,753
Taxes and licenses	208,869,547	155,608,331	313,930,251
Security, janitorial and utilities	176,401,857	82,377,551	72,986,778
Advertising and promotions	165,552,725	104,307,166	41,805,526
Rent, light and water	170,514,081	95,683,929	107,830,247
Provision for probable losses on Loans and Accounts receivables and Contract assets (Notes 7 and 8)	138,847,708	133,092,139	148,263,273
Transportation and travel	102,290,582	76,394,632	74,627,404
Management and other fees	92,267,718	66,354,650	87,769,526
Professional fees	89,754,688	30,126,345	80,527,537
Repairs and maintenance	79,686,930	101,325,762	84,500,850
Selling expenses	52,027,381	5,899,498	4,266,581
Commissions	41,410,612	28,627,187	23,715,324
Provision for impairment of Advances to suppliers and subcontractors (Note 10)	38,936,529	-	11,548,630
Insurance	35,059,356	31,912,844	31,513,021
Entertainment, amusement and recreation	29,238,789	18,641,515	28,478,722
Seminars	23,718,533	24,685,348	19,061,446
Office expenses	15,862,342	13,139,673	14,611,586
Donations and contributions	4,924,793	26,388,196	12,020,323
Provision for (recoveries of) inventory obsolescence (Note 9)	(14,301,872)	8,728	21,960,851
Miscellaneous	79,421,981	208,446,189	104,532,512
	₱3,209,680,321	₱2,817,475,078	₱3,098,567,525

Miscellaneous expense includes dues and subscriptions, periodicals, training and seminar, bank charges, legal and notarial fees, other contracted services and other admin charges.

Below are the details of net provision for probable losses on Receivables and Contract assets (Notes 7 and 8):

	2022	2021	2020
Provision			
Receivable	₱138,847,708	₱122,176,169	₱105,623,601
Contract assets	-	10,915,970	42,639,672
	₱138,847,708	₱133,092,139	₱148,263,273



30. Depreciation and Amortization

This account consists of depreciation and amortization included in Notes 13, 14 and 17:

	2022	2021	2020
Cost of sales and services			
Construction contracts (Note 27)	₱349,703,126	₱426,907,258	₱517,834,550
Tuition and other fees (Note 28)	338,314,735	344,365,937	372,612,389
Manpower and other services (Note 27)	56,164,933	9,803,937	13,483,485
	744,182,794	781,077,132	903,930,424
General and administrative expenses (Note 29)	435,515,539	367,055,473	465,198,753
	₱1,179,698,333	₱1,148,132,605	₱1,369,129,177

Depreciation and amortization for the different assets follow:

	2022	2021	2020
Property and equipment (Note 13)	₱934,235,500	₱932,909,859	₱1,141,943,922
Right-of-use asset (Note 14)	175,242,731	209,506,215	220,146,604
Investment property (Note 16)	23,933,886	-	-
Computer software (Note 17)	13,284,216	5,716,531	7,038,651
Student relationship	33,002,000	-	-
	₱1,179,698,333	₱1,148,132,605	₱1,369,129,177

31. Interest and Finance Charges

The Group's interest and finance charges consist of interest on the following:

	2022	2021	2020
Long-term debt (Note 20)	₱398,534,932	₱273,556,326	₱159,410,033
Loans payable (short-term) (Note 19)	186,339,521	319,475,191	434,306,860
Lease liabilities (Note 14)	68,565,220	97,449,099	107,042,613
Advances to affiliates and other finance charges	16,258,693	17,887,935	11,811,591
	₱669,698,366	₱708,368,551	₱712,571,097

32. Retirement Plan

The Group has funded, noncontributory retirement plans (the Plans) for all of its regular employees, in compliance with RA 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, 2022.



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.

	2022	2021
Retirement liabilities	₱200,096,343	₱223,026,503
Retirement assets	93,338,840	18,129,661
Net retirement liabilities	106,757,503	204,896,842
Net retirement expenses	170,945,496	238,454,645

The net retirement expenses recognized by the Group (included in personnel expense in the consolidated statements of comprehensive income) are as follows:

	2022	2021	2020
Current service cost	₱165,107,134	₱217,307,806	₱180,066,728
Net interest cost	5,838,362	24,883,272	19,356,338
Past service cost	-	(3,497,005)	(7,488,530)
Actuarial gain on settlement	-	(239,428)	(5,604,065)
	₱170,945,496	₱238,454,645	₱186,330,471

The amounts recognized in the consolidated statements of financial position follow:

<i>Net retirement liabilities</i>	2022	2021
Present value of defined benefit obligation	₱1,612,418,233	₱1,777,367,543
Fair value of plan assets	(1,412,321,890)	(1,554,341,040)
	₱200,096,343	₱223,026,503

<i>Net retirement assets</i>	2022	2021
Present value of defined benefit obligation	₱89,939,839	₱101,170,071
Fair value of plan assets	(188,964,404)	(119,660,452)
Effect of asset ceiling	5,685,725	360,720
	(₱93,338,840)	(₱18,129,661)

The movements in the net retirement liability follow:

	2022	2021
Balance at beginning of year	₱204,896,842	₱606,872,847
Net retirement expense	170,945,496	238,454,645
Adjustment to defined benefit obligation	25,371,284	(163,297,717)
Derecognition/ transfer	-	(99,220)
Benefit paid	(894,155)	(10,595,730)
Contributions	(35,470,349)	(171,263,947)
Remeasurement gain	(258,091,615)	(295,174,036)
Balance at end of year	₱106,757,503	₱204,896,842



The movements in the present value of defined obligation follow:

	2022	2021
Balance at beginning of year	₱1,954,270,323	₱2,227,248,385
Current service cost	165,107,134	217,307,806
Interest cost on obligation	92,883,321	85,340,096
Derecognition/transfer	-	(100,099,220)
Benefits paid	(143,972,262)	(130,869,871)
Remeasurement gain	(331,869,779)	(344,656,873)
Balance at end of year	₱1,736,418,737	₱1,954,270,323

The movements in the fair value of plan assets follow:

	2022	2021
Balance at beginning of year	₱1,749,373,481	₱1,620,375,538
Contributions	35,470,349	171,263,947
Derecognition/transfer	-	63,363,904
Asset return in net interest cost	87,044,959	60,456,824
Adjustments to plan assets	(25,371,284)	3,670,246
Remeasurement loss	(73,778,164)	(49,482,837)
Benefits paid	(143,078,107)	(120,274,141)
Balance at end of year	₱1,629,661,234	₱1,749,373,481

The major categories of plan assets and its fair value are as follows:

	2022	2021
Cash	₱388,797,594	₱448,001,074
Investment in government securities	923,017,305	899,123,775
Investments in shares of stock	281,657,933	333,000,804
Investments in other securities and debt instruments	18,445,031	58,410,555
Interest receivables and other receivables	19,876,541	21,513,483
Accrued trust fees and other payables	(2,133,170)	(10,676,210)
	₱1,629,661,234	₱1,749,373,481

The Group expects to contribute ₱112.12 million to its defined benefit retirement plans in 2023. 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. Investment in shares of stocks comprised of investments in shares within the Group that are traded in the Philippine Stock Exchange.

Trust fees paid in 2022, 2021 and 2020 amounted to ₱5.57 million, ₱6.57 million and ₱6.17 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 2022, the Fund has investment in equity securities of related parties with fair values and accumulated loss of ₱86.42 million and ₱0.69 million, respectively.

In 2021, the Fund has investment in equity securities of related parties with fair values and accumulated loss of ₱92.71 million and ₱8.2 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:

	2022	2021
Discount rate		
Beginning	3.42%-5.17%	3.65%-4.96%
End	7.02%-8.03%	3.42%-5.17%
Future salary increases		
Beginning	3.31%-6.50%	3.00%-6.50%
End	2.95%-6.00%	3.31%-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.

	2022		2021	
	Increase (decrease)	Effect on defined benefit obligation	Increase (decrease)	Effect on defined benefit obligation
Discount rates	+50bps to +100bps	(₱299,244,307)	+50bps to +100bps	(₱286,559,363)
	-50bps to -100bps	348,428,787	-50bps to -100bps	370,322,817
Salary increase rates	+50bps to +100bps	361,456,243	+50bps to +100bps	389,403,437
	-50bps to -100bps	(221,086,835)	-50bps to -100bps	(296,521,871)

Shown below is the maturity analysis of the undiscounted benefit payments:

	2022	2021
Less than one year	₱247,470,711	₱254,087,078
More than one to five years	378,128,511	362,713,854
More than five years	11,182,480,141	11,953,863,850

The average duration of the defined benefit obligation ranges from 16-24 years and 17-24 years as of December 31, 2022 and 2021, respectively.



33. Income Taxes

The reconciliation between the statutory and effective income tax rates follows:

	2022	2021	2020
Statutory income tax rate	25.00%	25.00%	(30.00%)
Add (deduct) reconciling items:			
Movement of deferred income tax assets not recognized	1.31	(1.00)	(1.01)
Impact of CREATE	-	10.29	-
Equity in net earnings of associates and joint venture	(5.74)	(18.63)	(13.86)
Income subject to final taxes and lower rates	(11.59)	-	(5.73)
Others	(2.56)	(0.47)	7.75
Effective income tax rate	6.42%	15.19%	(42.85%)

All companies in the Group are subject to the RCIT rate of 25%, except for MESI, MHSSI, MCLI, MCMI, UNC, NTC and APEC which are subject to a lower tax rate of 1% as provided by CREATE that special tax rate is to be applied to proprietary educational institutions and hospitals.

The Group's net deferred tax assets and liabilities consist of the following:

	2022	2021
Net deferred tax assets on a per subsidiary level:		
Contract deposits	₱1,200,855,490	₱-
NOLCO	113,637,664	1,113,066,250
Allowance for ECL, inventory, obsolescence and other expenses	95,723,667	77,746,224
Excess of Right-Of-Use-assets over lease liability	23,574,377	-
MCIT	23,587,499	24,547,365
Others	(44,939,981)	7,389,812
	₱1,412,438,716	₱1,222,749,651
Net deferred tax liabilities on a per subsidiary level:		
Revaluation increment on land	₱1,201,404,707	₱860,760,524
Accrued expenses	(16,479,000)	(15,430,739)
Retirement	(10,622,430)	(27,623,745)
Others	(129,491,674)	37,840,075
	₱1,044,811,603	₱855,546,115

The reconciliation of the Group's net deferred tax liabilities (assets) follow:

	2022	2021
Balance at beginning of year	(₱367,203,536)	(₱532,656,925)
Tax expense (income) recognized in:		
Other comprehensive income (loss)	252,584,074	(56,310,960)
Profit and loss	(253,007,651)	221,764,349
	(₱367,627,113)	(₱367,203,536)



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.

	2022	2021
NOLCO	₱327,675,164	₱602,276,748
Allowance for inventory obsolescence	283,478,560	60,295,832
MCIT	871,742	2,882,751
Accrued retirement expense	3,883,620	4,081,204

On September 30, 2020, the Bureau of Internal Revenue (BIR) issued Revenue Regulations (RR) No. 25-2020 implementing Section 4 (bbbb) of “Bayanihan to Recover As One Act” which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

As of December 31, 2022, the amount of NOLCO incurred before taxable year 2022 which can be claimed as deduction from the regular taxable income for the next three (3) consecutive taxable years:

Year incurred	Amount	Applied/Expired	Balance	Expiry Year
2022	₱202,370,094	₱-	₱202,370,094	2025

As of December 31, 2022, the Group has incurred NOLCO in taxable years 2021 and 2020 which can be claimed as deduction from the regular taxable income for the next five (5) consecutive taxable years pursuant to the Bayanihan to Recover As One Act, as follows:

Year incurred	Amount	Applied/Expired	Balance	Expiry Year
2021	₱550,405,019	₱380,407,068	₱169,997,951	2026
2020	4,584,026,845	4,174,169,069	409,857,777	2025
	₱5,134,431,864	₱4,554,576,137	₱579,855,728	

As of December 31, 2022, the amounts of MCIT still allowable as tax credit consist of:

Year incurred	Amount	Applied/Expired	Balance	Expiry Year
2022	₱2,988,842	₱-	₱2,988,842	2025
2021	20,981,292	14,764,695	6,216,597	2024
2020	15,253,802	-	15,253,802	2023
	₱39,223,936	₱14,764,695	₱24,459,241	

RA No. 11534 otherwise known as the Corporate Recovery and Tax Incentives for Enterprises Act or CREATE

President Rodrigo Duterte signed into law on March 26, 2021 the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act to attract more investments and maintain fiscal prudence and stability in the Philippines. RA No. 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It takes effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.



The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the Group

- Effective July 1, 2020, RCIT rate is reduced from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding ₱5 million and with total assets not exceeding ₱100 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.
- MCIT rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.
- Imposition of improperly accumulated earnings tax is repealed.

As clarified by the Philippine Financial Reporting Standards Council in its Philippine Interpretations Committee Q&A No. 2020-07, the CREATE Act was not considered substantively enacted as of December 31, 2020 even though some of the provisions have retroactive effect to July 1, 2020. The passage of the CREATE Act into law on March 26, 2021 is considered as a non-adjusting subsequent event. Accordingly, current and deferred taxes as of and for the year ended December 31, 2020 continued to be computed and measured using the applicable income tax rates as of December 31, 2020 (i.e., 30% RCIT / 2% MCIT) for financial reporting purposes. Current and deferred taxes as of and for the year ended December 31, 2021 were computed and measured using the new tax rates in 2021.

The effect of CREATE Act in 2020 of a lower provision for current income tax for the year ended December 31, 2020 and lower income tax payable as of December 31, 2020, which was reflected in the Group's 2020 annual income tax return was only recognized for financial reporting purposes in the 2021 consolidated financial statements. Also, the effect in 2020 of a lower deferred tax assets and liabilities as of December 31, 2020 and provision for deferred tax for the year then ended of ₱259.25 million were recognized for financial reporting purposes only in the 2021 consolidated financial statements.

34. Earnings Per Share

Basic and diluted earnings (loss) per share amounts attributable to equity holders of the Group are computed as follows:

Basic earnings (loss) per share

	2022	2021	2020
Net income (loss)	₱1,174,088,374	₱1,073,010,312	(₱824,954,066)
Less dividends attributable to preferred shares (Note 36)	299,050,374	-	86,529
Net income (loss) applicable to common shares	875,038,000	1,073,010,312	(825,040,595)
Divided by the weighted average number of common shares	776,465,281	776,465,281	776,465,281
Basic earnings (loss) per share	₱1.1270	₱1.3819	(₱1.0626)



Diluted earnings (loss) per share

	2022	2021	2020
Net income (loss) applicable common share for basic earnings per share	₱875,038,000	₱1,073,010,312	(₱825,040,595)
Net income (loss) applicable to common stockholders for diluted earnings per share	₱875,038,000	1,073,010,312	(825,040,595)
Weighted average number of shares of common stock	776,465,281	776,465,281	776,465,281
Weighted average number of shares of common stock for diluted earnings per share	776,465,281	776,465,281	776,465,281
Diluted earnings (loss) per share	₱1.1270	₱1.3819	(₱1.0626)

The weighted average number of shares of common stock is computed as follows:

	2022	2021	2020
Number of shares of common stock issued	776,765,281	776,765,281	776,765,281
Less treasury shares	300,000	300,000	300,000
	776,465,281	776,465,281	776,465,281

35. Contingencies and Commitments

Provisions and Contingencies

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.



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, 2022, 2021 and 2020 are as shown below:

	HI Cars, Inc. ^(a)			iPeople, inc. (IPO) and Subsidiaries ^(b)			EEI Corporation (EEI) and Subsidiaries ^(c)			San Lorenzo Ruiz Investment Holdings and Services Inc. ^(d)		
	2022	2021	2020	2022	2021	2020	2022	2021	2020	2022	2021	2020
Assets												
Current assets	–	–	380	3,614	3,063	2,662	12,769	20,465	15,938	1,430	–	–
Noncurrent assets	–	–	122	14,088	13,065	13,050	16,205	11,750	10,955	2,279	–	–
	–	–	502	17,702	16,128	15,712	28,974	32,215	26,893	3,709	–	–
Liabilities and Equity												
Current liabilities	–	–	462	3,516	2,183	2,298	12,283	12,728	14,374	8	–	–
Noncurrent liabilities	–	–	58	1,445	2,826	2,922	3,274	6,146	6,111	–	–	–
	–	–	520	4,961	5,009	5,220	15,557	18,874	20,485	8	–	–
Revenue	–	–	1,175	3,945	3,351	3,017	14,652	16,150	13,881	–	–	–
Net income (loss)	–	–	(121)	782	664	242	200	479	(2,072)	27	–	–
Total comprehensive income (loss)	–	–	(124)	1,813	940	832	466	978	(2,197)	27	–	–
Share of NCI in net assets	–	–	(11)	5,472	4,655	4,336	9,252	9,498	3,083	1,480	–	–
Share of NCI in net income (loss)	–	–	(54)	399	341	127	93	219	(914)	11	–	–
Dividends paid	–	–	–	87	162	38	399	–	–	–	–	–
Operating	–	–	117	1,231	848	95	(543)	(1,597)	(2,418)	(58)	–	–
Investing	–	–	96	(214)	(193)	1,220	(210)	564	778	(374)	–	–
Financing	–	–	(205)	(659)	(370)	(1,152)	(3,820)	6,827	1,824	1,851	–	–

(a) Proportion of ownership owned by non-controlling interests as of December 31, 2022 and 2021: 0.00%.

(b) Proportion of ownership owned by non-controlling interests as of December 31, 2022 and 2021: 51.82%

(c) Proportion of ownership owned by non-controlling interests as of December 31, 2022 and 2021: 44.66%

(d) Proportion of ownership owned by non-controlling interests as of December 31, 2022 and 2021: 40.00% and 0.00%, respectively



Material Partly-Owned Subsidiaries

SLRHSI

In February 2022, the Parent Company sold 1,612,759 common shares representing 14.64% ownership of SLRHSI to Sojitz Corporation. Further, on November 15, 2022, Sojitz Corporation subscribed and paid for additional authorized capital stock applied for by SLRHSI. Accordingly, the ownership stake of the Parent Company decreased from 100% to 60%.

HCI

In July 2021, the Parent Company purchased additional 27,000,000 HCI shares for ₱9.18 million or 0.34 per share resulting to an increase in ownership interest from 55.00% to 100.00%. The non-controlling interest decreased from 45.00% to 0.00%.

EEI

On December 23, 2021, EEI issued and listed in the PSE non-convertible preferred shares generating net proceeds of ₱5.96 billion. Cumulative dividends in arrears on preferred shares as at December 31, 2022 and 2021 amounted to ₱229.05 million and ₱6.55 million, respectively.

As of December 31, 2022 and 2021, the Parent Company holds 55.34% ownership stake in EEI while the non-controlling interest is at 44.66%.

IPO

In May 2019, the Parent Company sold the 281,642 shares of 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 Company'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.

LFPSI

As of December 31, 2022 and 2021, the Parent Company's effective ownership including its indirect ownership through MMPC is 63.00%. 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 is 27.00%.

The Group recognized equity reserve from the changes in ownership amounting to an increase and a decrease of ₱333.59 million and ₱24.58 million in 2022 and 2021, respectively. 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-related activities, steel fabrication, real estate and others.

Property and Property Services - represents property leasing activities from ATYC and project management services of the Group.

Education - primarily consists of revenues from IPO and subsidiaries in education and other related support services.

Cars Business - 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 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 2022, revenue 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: ₱2,616 million and ₱3,144 million.

In 2021, revenue from two (2) customer from the construction and infrastructure segment contributed revenue that exceeded 10% of the Group's revenue. Following are the revenue contributed by each of these customers: ₱4,485 million and ₱3,821 million.

In 2020, revenue 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: ₱2,668 million and ₱2,384 million.



(Amounts in Millions)

	Construction and Infrastructure			Education			Cars Business			Property and Property Services			Other Services			Elimination			Consolidation		
	2022	2021	2020	2022	2021	2020	2022	2021	2020	2022	2021	2020	2022	2021	2020	2022	2021	2020	2022	2021	2020
Revenue	14,652	16,150	13,881	3,945	3,351	3,017	4,855	3,726	4,155	458	231	225	390	691	322	(395)	(550)	(424)	23,905	23,599	21,176
Net Income (loss) attributable to share of parent	209	490	(2,046)	769	659	246	30	61	(114)	120	200	61	844	664	131	(798)	(1,000)	897	1,174	1,073	(825)
Other Information																					
Segment assets	28,974	32,215	26,893	17,701	16,129	15,712	11,135	2,566	2,686	10,538	2,287	223	7,874	7,402	9,165	(10,995)	(3,405)	(2,792)	65,227	57,194	51,885
Deferred tax assets	(1,289)	(1,112)	(1,471)	(38)	(38)	(32)	59	(26)	(26)	(29)	(4)	(4)	(84)	(3)	(79)	(31)	39	32	(1,412)	(1,223)	(1,580)
Net segment assets	27,685	31,103	25,422	17,664	16,091	15,680	11,193	2,539	2,660	10,509	2,283	219	7,789	7,400	9,086	(11,026)	(3,444)	(2,760)	63,814	56,500	50,305
Segment liabilities	15,557	18,874	20,485	4,961	5,009	5,220	9,453	1,507	1,505	5,741	307	176	2,040	1,782	2,835	(8,390)	(401)	(189)	29,362	27,078	30,031
Income tax payable	(6)	(16)	(23)	(5)	(2)	(12)	-	(7)	(6)	(1)	(1)	(2)	(6)	(1)	-	-	-	-	(18)	(27)	(44)
Deferred tax liabilities	(128)	(128)	(90)	(590)	(489)	(477)	(237)	(192)	(173)	(2)	-	-	-	(46)	(166)	(88)	(116)	(141)	(1,045)	(856)	(1,048)
Net segment liabilities	15,423	18,730	20,371	4,366	4,518	4,730	9,216	1,308	1,326	5,738	306	174	2,034	1,734	2,669	(8,477)	(285)	(331)	28,300	26,724	28,939
Investments in associates and joint ventures	3,190	3,260	2,890	-	-	-	-	-	-	7	7	7	7,134	6,399	5,066	(2,028)	(1,831)	(871)	8,303	7,834	7,093
Equity in net earnings (losses) of associates	(106)	925	981	-	-	-	42	55	-	105	139	-	384	311	-	-	-	388	425	1,430	1,368
Cash flows arising from:																					
Operating activities	(543)	(1,578)	(2,418)	1,231	849	467	397	397	397	78	78	78	(495)	(495)	(495)	(991)	(1,926)	538	(323)	(1,299)	(1,433)
Investing activities	(210)	583	778	(214)	(194)	1,220	170	170	170	-	-	-	1,373	1,373	1,373	(7,089)	4,075	(3,536)	(5,970)	279	5
Financing activities	(3,820)	(6,789)	(1,824)	(659)	(370)	(1,152)	(290)	(290)	(290)	53	53	53	5,634	5,634	5,634	2,909	(4,357)	459	3,827	6,778	1,962
Capital expenditures	(171)	(171)	(489)	(184)	(184)	(881)	(73)	(73)	(73)	6,156	-	-	53	53	53	1,248	(2,042)	(2,781)	7,029	652	1,391
Interest income	35	8	17	20	6	11	1	0	2	27	1	-	26	3	8	(1)	(7,407)	(5,928)	108	19	37
Interest expense	(398)	413	466	(113)	137	178	(24)	15	69	(77)	1	1	(58)	85	-	-	47	1	(670)	708	713
Provision/ (Benefit) for income tax	(70)	305	(1,285)	5	(30)	33	(16)	1	4	(22)	14	20	(15)	2	(42)	-	-	-	(118)	292	(1,270)
Earnings (loss) before income tax	270	784	(3,358)	777	633	275	57	(17)	(295)	142	75	81	848	444	274	(251)	-	(59)	1,843	1,919	(2,964)
Earnings before income tax and depreciation and amortization	817	959	(2,592)	1,252	746	738	128	2	(203)	163	77	85	858	615	326	(263)	(668)	(51)	2,955	3,067	(1,595)
Noncash items:																					
Additional revaluation increment on land	129	-	-	1,005	201	497	614	37	89	-	-	-	-	-	-	(385)	96	(659)	1,363	334	(73)
Depreciation and amortization	547	176	766	475	112	463	70	19	92	21	2	4	44	171	53	(11)	(668)	9	1,146	1,148	1,369



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 funding requirements, the Group intends to use internally generated funds and available short-term and long-term credit facilities.

The maturity groupings are based on the remaining period from the end of the reporting period to the contractual maturity date.

The tables below summarize the maturity profile of the Group's financial assets and financial liabilities as at December 31:

	2022				Total
	On demand	< 1 year	1 to < 2 years	> 2 years	
Financial Liabilities					
Accounts payable and accrued expenses*	₱2,297,475,028	₱3,689,591,609	₱-	₱-	₱5,987,066,637
Bank loans					
Peso loan	-	8,217,000,000	-	-	8,217,000,000
Interest	-	199,271,388	-	-	199,271,388
Long-term debt					
Peso loan	-	4,728,956,659	1,469,514,970	2,852,713,400	9,051,184,029
Interest	-	294,111,032	183,130,293	132,928,300	610,169,625
Due to related parties	2,532,535	-	-	-	2,532,535
Lease liabilities	-	239,499,588	816,997,091	444,643,116	1,501,139,795
	2,300,007,563	17,368,430,276	2,469,642,354	3,430,284,816	25,568,364,009
Financial Assets					
Cash					
Cash on hand and in banks	2,093,208,409	-	-	-	2,093,208,409
Short-term investments	4,537,258,948	-	-	-	4,537,258,948
Accounts receivables					
Trade receivables	2,712,906,334	1,859,239,629	42,139,880	33,785,699	4,648,071,542
Receivables from car plant	11,040,734	-	-	-	11,040,734
Others	126,956,848	18,244,146	298,166	6,764,031	152,263,191
Receivable from related parties	178,008,353	-	-	-	178,008,353
	9,659,379,626	1,164,660,866	42,438,046	40,549,730	10,907,028,268
Liquidity gap (position)	₱7,359,372,063	(₱16,203,769,410)	(₱2,427,204,308)	(₱3,389,735,086)	(₱14,661,335,741)

*Excluding statutory liabilities



	2021				Total
	On demand	< 1 year	1 to < 2 years	> 2 years	
Financial Liabilities					
Accounts payable and accrued expenses*	₱2,961,165,811	₱3,533,131,173	₱–	₱–	₱6,494,296,984
Bank loans					
Peso loan	–	5,706,469,178	–	–	5,706,469,178
Interest	–	319,475,191	–	–	319,475,191
Long-term debt					
Peso loan	–	3,400,851,292	5,010,490,241	1,750,120,302	10,161,461,835
Interest	–	182,713,433	70,244,772	20,598,121	273,556,326
Due to related parties	2,482,255	–	–	–	2,482,255
Lease liabilities	–	229,589,347	823,985,041	480,640,298	1,534,214,686
	2,963,648,066	13,372,229,614	5,904,720,054	2,251,358,721	24,491,956,455
Financial Assets					
Cash					
Cash on hand and in banks	2,929,391,629	–	–	–	2,929,391,629
Short-term investments	6,127,094,444	–	–	–	6,127,094,444
Accounts receivables					
Trade receivables	2,356,905,000	1,559,809,737	–	–	3,916,714,737
Receivables from car plant	40,500,435	–	–	–	40,500,435
Others	105,577,151	–	–	–	105,577,151
Receivable from related parties	145,283,445	–	–	–	145,283,445
	11,704,752,104	1,559,809,737	–	–	13,264,561,841
Liquidity gap (position)	(₱8,741,104,038)	₱11,812,419,877	₱5,904,720,054	₱2,251,358,721	₱11,227,394,614

*Excluding statutory liabilities

As of December 31, 2022, the Group has available undrawn committed borrowing facilities with local banks totaling to ₱22.5 billion.

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.

Market Index	2022		2021	
	Change in variable	Effect on equity	Change in variable	Effect on equity
PSE	18.28% (18.28%)	4,069,020 (4,069,020)	12.24% (12.24%)	3,326,397 (3,326,397)
Others	20.51% (20.51%)	1,948,004 (1,948,004)	18.47% (18.47%)	1,274,272 (1,274,272)

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 18.28% and 12.24% in 2022 and 2021, 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).

	2022		2021	
	Percentage increase/decrease in foreign currency	Effect on profit before tax	Percentage increase/decrease in foreign currency	Effect on profit before tax
USD	+2.2%	₱32,810,102	4.40%	₱12,772,442
SGD	+1.4%	10,248	2.70%	17,886
EUR	+3.3%	15,402	1.00%	4,373
YEN	+5.2%	222,919	1.30%	83,553
GBP	+4.5%	-	0.60%	-
USD	-2.2%	(₱32,810,102)	-4.40%	(₱12,772,442)
SGD	-1.4%	(10,248)	-2.70%	(17,886)
EUR	-3.3%	(15,402)	-1.00%	(4,373)
YEN	-5.2%	(222,919)	-1.30%	(83,553)
GBP	-4.5%	-	-0.60%	-



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:

	2022					Equivalents in PHP
	USD ¹	SGD ²	EUR ³	YEN ⁴	GBP ⁴	
Financial assets						
Cash and cash equivalents	\$26,601,434	\$17,680	€7,722	¥8,682,102	£-	₱1,497,691,393
Receivables	153,130	-	-	1,621,004	-	9,194,399
	26,754,564	17,680	7,722	10,303,106	-	1,506,885,792
Financial liabilities						
Accounts payable and accrued expenses	187,680	-	-	-	-	10,532,602
	\$26,566,884	\$17,680	€7,722	¥10,303,106	£-	₱1,496,353,190

¹ Exchange rate used - ₱55.76 to US\$1

² Exchange rate used - ₱41.58 to US\$1

³ Exchange rate used - ₱59.56 to €1

⁴ Exchange rate used - ₱0.42 to ¥1

⁵ Exchange rate used - ₱67.44 to £1

	2021					Equivalents in PHP
	USD ¹	SGD ²	EUR ³	YEN ⁴	GBP ⁴	
Financial assets						
Cash and cash equivalents	\$5,657,415	\$17,680	€7,722	¥12,657,997	£-	₱293,943,666
Receivables	388,067	-	-	1,439,193	-	20,338,812
	6,045,482	17,680	7,722	14,097,190	-	314,282,478
Financial liabilities						
Accounts payable and accrued expenses	294,720	-	-	-	-	14,964,113
	US\$5,750,762	S\$17,680	€7,722	¥14,097,190	£-	₱299,318,365

¹ Exchange rate used - ₱50.99 to \$1

² Exchange rate used - ₱37.55 to S\$1

³ Exchange rate used - ₱57.51 to €1

⁴ Exchange rate used - ₱0.44 to ¥1

⁵ Exchange rate used - ₱68.53 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):

	2022		2021	
	Increase/decrease in basis points	Effect on profit before tax	Increase/decrease in basis points	Effect on profit before tax
Peso floating rate borrowing	+873	(32,327,042)	+963	(76,902,038)
	-873	32,327,042	-963	76,902,038

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 in 2022 and 2021. 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 in 2022 and 2021. This resulted to a nil net exposure as at December 31, 2022 and 2021.

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.



The information about the credit exposure on the Group's financial assets using provision matrix and the credit quality of other financial assets is as follows:

	2022			Total
	Neither past due nor impaired		Past Due and Impaired Financial Assets	
	High Grade	Standard Grade		
Cash in bank and cash equivalents	₱6,618,657,398	₱-	₱-	₱6,618,657,398
Receivables from:				
Construction and infrastructure	1,474,217,805	899,608,292	85,880,485	2,459,706,582
Education	946,505,281	179,191,918	346,388,414	1,472,085,613
Car dealership	384,844,769	153,881,416	36,551,181	575,277,366
Other services	94,326,456	37,000,166	9,675,359	141,001,981
Other receivables:				
Receivables from car plant	11,040,734	-	-	11,040,734
Others	35,595,096	11,296,877	82,064,279	128,956,252
Due from related parties	178,008,353	-	-	178,008,353
Receivable from a customer	23,306,939	-	-	23,306,939
Receivable from EEI-RFI	1,200,000,000	-	-	1,200,000,000
Miscellaneous deposits	145,216,359	-	41,256,426	186,472,785
	₱11,111,719,190	₱1,280,978,669	₱601,816,144	₱12,994,523,003

	2021			Total
	Neither past due nor impaired		Past Due and Impaired Financial Assets	
	High Grade	Standard Grade		
Cash in bank and cash equivalents	₱9,042,578,390	₱-	₱-	₱9,042,578,390
Receivables from:				
Construction and infrastructure	983,818,549	1,265,510,624	67,770,535	2,317,099,708
Education	382,073,950	579,655,934	289,889,812	1,251,619,696
Car dealership	154,023,156	63,641,011	36,511,181	254,175,348
Other services	58,585,742	25,518,884	9,675,359	93,779,985
Other receivables:				
Receivables from car plant	40,500,435	-	-	40,500,435
Others	147,167,100	12,007,866	75,623,833	234,798,799
Due from related parties	145,283,445	-	-	145,283,445
Receivable from a customer	16,061,797	-	-	16,061,797
Miscellaneous deposits	155,281,347	-	3,335,193	158,616,540
	₱11,125,373,911	₱1,946,334,319	₱482,805,913	₱13,554,514,143

Neither past due nor impaired accounts receivables, other receivables are classified into 'high grade' and 'standard grade'. The Group sets financial assets as 'high grade' based on the Group's positive collection experience. The counterparties have a very remote likelihood of default and have consistently exhibited good paying habits. On the other hand, 'standard grade' are those which have credit history of default in payments.

Past due and impaired financial assets are those outstanding balances which are historically collected after due dates. Impairment is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of customer segments with similar loss patterns (i.e., type of customers). The calculation reflects the probability-weighted outcome and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

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
- Due from related parties
- Receivable from EEI-RFI
- Miscellaneous deposits



The ending loss allowances as of December 31, 2022 and 2021 reconcile to the opening loss allowances as follows (Note 7):

	2022	2021
Balance at beginning of year	₱479,510,720	₱366,936,427
Provisions	138,847,708	122,176,169
Write off	(57,798,710)	(9,601,876)
Balance at end of year	₱560,559,718	₱479,510,720

Credit Quality

The Group maintains internal credit rating system. Neither past due nor impaired financial assets are graded as either “Grade A/ High Grade” or “Grade B/ Standard Grade” 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, Receivables from related parties and Receivables from EEI-RFI 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, 2022 and 2021 follows:

2022

	General Approach			Simplified Approach
	Stage 1	Stage 2	Stage 3	
Amortized cost				
Cash and cash equivalents	₱6,630,467,357	₱–	₱–	₱–
Trade receivables	–	–	–	4,648,071,542
Nontrade receivables	163,303,925	–	–	–
Contract asset	–	–	–	10,401,755,409
Receivables from EEI-RFI	1,200,000,000	–	–	–
Total gross carrying amounts	7,993,771,282	–	–	15,049,826,951
Less allowance	–	–	–	589,514,315
	₱7,993,771,282	₱–	₱–	₱14,460,312,636



2021

	General Approach			Simplified Approach
	Stage 1	Stage 2	Stage 3	
Amortized cost				
Cash and cash equivalents	₱9,056,486,073	₱-	₱-	₱-
Trade receivables	-	-	-	3,916,714,738
Nontrade receivables	291,361,030	-	-	-
Contract asset	-	-	-	9,877,856,941
Total gross carrying amounts	9,347,847,103	-	-	13,794,571,679
Less allowance	-	-	-	536,655,805
	₱9,347,847,103	₱-	₱-	₱13,257,915,874

In 2022 and 2021, 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, 2022 and 2021.

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, 4:1 and 2:1, respectively.

	2022	2021
Current liabilities	₱18,334,972,156	₱17,188,279,183
Noncurrent liabilities	5,176,526,382	9,326,900,885
Total liabilities (a)	23,511,498,538	26,515,180,068
Equity (b)	33,593,340,866	30,552,860,553
Debt to Equity Ratio (a/b)	0.70:1	0.87:1

On December 23, 2021, EEI issued and listed in the PSE non-convertible preferred shares generating net proceeds of ₱5.96 billion. Cumulative dividends in arrears on preferred shares as at December 31, 2022 and 2021 amounted to ₱299.06 million and ₱6.55 million, respectively.

In 2022, the BOD of EEI approved the declaration of dividends to Series A and B preferred shareholders amounting to ₱398.7 million.

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.
- *Interest-bearing trade receivables*
The fair value of interest-bearing trade receivables amounting to ₱23.3 million and ₱16.1 million as of December 31, 2022 and 2021, 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 2022 and 2021 was 5.21% and 1.66%, respectively.
- *Receivable from sale of investment properties* (Note 7)
The fair value of the receivable from sale of investment property amounting to ₱16.00 million and ₱17.3 million as of December 31, 2022 and 2021, 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 2022 and 2021 was 5.21% and 1.66%, respectively.
- *Equity investments at FVOCI* (Note 11)
Quoted investments
Fair value of investments in equity shares listed with Philippine Stock Exchange amounting to ₱136.50 million and ₱109.27 million as of December 31, 2022 and 2021, 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 ₱20.60 million and ₱19.01 million as of December 31, 2022 and 2021, 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).

Hermosa Ecozone Development Corporation

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, 2022.

The significant unobservable inputs (Level 3) used in the fair value measurement of HEDC 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 (10%). 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 ₱650 to ₱7,500.



A 5% increase (decrease) in the appraised value of the land per sqm could increase (decrease) the Group's investment by ₱20.0 million.

Loan receivable from EEI-RFI (Note 17)

The fair values of the receivable amounting to ₱1.09 billion from sale of Bauan Batangas Property 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 rates used in 2022 were 5.21% to 7.03%.

- *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 ₱9,031.5 million and ₱10,137.9 million as of December 31, 2022 and 2021, 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 2022 and 2021 were and 5.97% to 3.25%, respectively.

- *Long-term retention payable*

The fair values of the retention payable which is included in other noncurrent liabilities amounting to ₱128.2 million and ₱242.9 million as of December 31, 2022 and 2021, 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 2022 and 2021 were 5.97% and 1.66%, respectively.

As at December 31, 2022 and 2021, 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 2022 and 2021. No financial instrument fall within Level 3.

There were no transfers between levels of fair value measurements in 2022 and 2021. No transfers between any levels of the fair value hierarchy took place in the equivalent comparative period.

39. Capital Stock

Preferred 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, 2022, 2021 and 2020 follows:

	2022		2021		2020	
	Amount	Shares	Amount	Shares	Amount	Shares
Balance at beginning of year	₱-	-	₱-	-	₱6,710,402	16,776,001
Redemption of preferred stock	-	-	-	-	(6,710,402)	(16,776,001)
Conversion of preferred stock to common stock	-	-	-	-	-	-
Balance at end of year	₱-	-	₱-	-	₱-	-

Redeemed preferred shares carried at ₱0.40 par value are treasury shares.



Common stock

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, 2022, 2021 and 2020 follows:

	2022		2021		2020	
	Amount	Shares	Amount	Shares	Amount	Shares
Balance at beginning of year	₱1,162,540,326	776,465,281	₱1,165,147,926	776,765,281	₱1,165,147,926	776,765,281
Conversion of preferred stock	-	-	-	-	-	-
Balance at end of year	-	-	1,165,147,926	776,765,281	1,165,147,926	776,765,281
Treasury stock	-	-	(2,607,600)	(300,000)	(2,607,600)	(300,000)
	₱1,162,540,326	776,465,281	₱1,162,540,326	776,465,281	₱1,162,540,326	776,465,281

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			
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			

On March 30, 2020, after the declaration of cash dividends (Note 40), 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.

In 2019 and prior years, 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;
 - 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, 2022:

Year	Number of shares registered	Number of holders of securities
Preferred shares:		
January 1, 2020	–	–
Movement	–	–
December 31, 2020	–	–
Movement	–	–
December 31, 2021	–	–
Movement	–	–
December 31, 2022	–	–
Common Shares:		
January 1, 2020	–	–
Movement	–	–
December 31, 2020	776,465,281	384
Movement	–	–
December 31, 2021	776,465,281	384
Movement	–	(7)
December 31, 2022	776,465,281	377

The 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 nil and 377, respectively, as of December 31, 2022 and nil and 384, respectively, as of December 31, 2021.

40. Retained Earnings

Cash Dividends

The BOD declared cash dividends in 2022, 2021 and 2020 as follows:

Date of BOD Approval	Amount	Amount per share		Record Date	Payment Date
		Preferred Shares	Common Shares		
March 30, 2020	₱86,529	₱0.00515	₱–	April 27, 2020	May 20, 2020

On April 12, 2023, the Parent Company’s BOD approved additional appropriation of retained earnings amounting to ₱0.5 billion, for planned investments and business expansion that the Parent Company intends to carry out for the next three (3) years.

On December 31, 2021, the Parent Company’s BOD approved appropriation of retained earnings amounting to ₱3.5 billion, for planned investments and business expansion that the Parent Company intends to carry out for the next 2-3 years. On the same date, the Parent Company approved the reversal of ₱2.5 billion appropriations made in 2019 and 2018 following the completion of its previous planned investment and business expansion.



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.

Retained earnings include ₱4,831.3 million and ₱3,582.3 million as of December 31, 2022 and 2021, 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 ₱1,419.74 million and ₱650.9 million as of December 31, 2022 and 2021, 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 ₱7,365.54 million and ₱5,766.5 million as of December 31, 2022 and 2021, respectively, not declared as dividends to the Group. Accordingly, these are not available for dividend declaration.

41. Other Matters

Changes in Liabilities Arising from Financing Activities

2022

	January 1, 2022	Net cash flows	Non-cash movement	December 31, 2022
Loans payable (Note 19)	₱5,706,469,178	₱2,510,530,822	₱-	₱8,217,000,000
Long-term debt (Note 20)	10,137,862,990	(1,106,339,711)	-	9,031,523,279
Lease liabilities (Note 14)	1,115,360,254	(38,966,647)	302,436,671	1,378,830,278
	₱16,959,692,422	₱1,365,224,464	₱302,436,671	₱18,627,353,557

2021

	January 1, 2021	Net cash flows	Non-cash movement	December 31, 2021
Loans payable (Note 19)	₱7,982,000,000	(₱2,275,530,822)	₱-	₱5,706,469,178
Long-term debt (Note 20)	7,420,302,136	2,717,560,854	-	10,137,862,990
Lease liabilities (Note 14)	1,250,332,847	(117,433,326)	(17,539,267)	1,115,360,254
	₱16,652,634,983	₱324,596,706	(₱17,539,267)	₱16,959,692,422

COVID-19 related considerations

a. 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.

With the continued positive development on COVID-19 vaccination and the lifting of the community quarantine, face-to-face classes were resumed starting SY2022-2023.

3. 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 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.
5. Disruption in Construction Sector. The COVID-19 pandemic has continuously impacted the Group's operation and financial performance in 2022.

At the end of 2022, the construction sector's unworked portion of existing contracts stood at ₱57.9 billion, including ARCC's backlog of ₱26.4 billion. The construction sector considers this backlog of projects as healthy and sustainable. The construction sector expects an overall strong performance in its domestic operations driven by the current buildings, infrastructure, electromechanical, and industrial projects in its pipeline as production continues to pick-up. Despite the delays in operations caused by the COVID-19 pandemic, the backlog was preserved and will be realized as construction works resume.

The COVID-19 pandemic was treated as an opportune time to recalibrate the Yuchengco Group of Companies' investment portfolio strategy via sharper focus on optimizing returns from existing businesses and a more disciplined process on capital deployment. The recovery exhibited in the operating results of its various business segments starting 2021 was a testament that the Group's efforts were effective.



INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

The Board of Directors and the Stockholders
House of Investments, Inc.
9th Floor, Grepalife Building
221 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, 2022 and 2021 and for each of the three years in the period ended December 31, 2022, included in this Form 17-A, and have issued our report thereon dated April 12, 2023. 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

Tax Identification No. 242-019-387

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 109952-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-117-2022, January 20, 2022, valid until January 19, 2025

PTR No. 9564644, January 3, 2023, Makati City

April 12, 2023



HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES
SUPPLEMENTARY INFORMATION AND DISCLOSURES REQUIRED ON
REVISED SRC RULE 68
DECEMBER 31, 2022

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 Group is not required to disclose the financial assets in equity securities as the equity investments at fair value through other comprehensive income (FVOCI) amounting ₱650.64 million do not constitute 5% or more of the total noncurrent assets of the Group as at December 31, 2022.

Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (other than related parties)

As at December 31, 2022, the Group has no receivable above ₱1 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, 2022:

Name and designation of debtor	Balance at beginning of year	Additions	Amounts collected	Amounts written off	Balance at end of year
<i>Landev Corporation</i>					
Due from affiliates	₱3,571,667	₱4,307,691	(₱3,571,667)	₱-	₱4,307,691
Dividends receivable	49,999,850	47,999,940	(49,999,850)	-	47,999,940
	53,571,517	52,307,631	(53,571,517)	-	52,307,631
<i>Greyhounds Security and Investigation Agency Corporation</i>					
Due from affiliates	765,532	5,759,404	(4,808,432)	-	1,716,504
Dividends receivable	17,999,064	-	(17,999,064)	-	-
	18,764,596	5,759,404	(22,807,496)	-	1,716,504
<i>Investment Managers, Inc.</i>					
Due from affiliates	4,894,281	171,932	-	-	5,066,213
<i>iPeople, inc. and subsidiaries</i>					
Due from affiliates	13,488,728	100,014,084	(89,370,564)	-	24,132,248
Dividends receivable	-	80,310,571	(80,310,571)	-	-
	13,488,728	180,324,655	(89,370,564)	-	24,132,248
<i>EEl Corporation and subsidiaries</i>					
Due from affiliates	2,400,000	10,500,437	(11,002,696)	-	1,897,741
<i>La Funeraria Paz Sucat, Inc</i>					
Due from affiliates	433,328	6,699,794	(5,389,703)	-	1,743,419
Dividends receivable	-	10,000,000	(10,000,000)	-	-
	433,328	16,699,794	(15,389,703)	-	1,743,419
<i>Zambood Realty and Development Corp</i>					
Due from affiliates	15,743	2,158	(17,901)	-	-
Dividends receivable	277,098	-	(277,098)	-	-
	4,342	288,499	-	-	-
<i>Xamdu Motors, Inc.</i>					
Due from affiliates	15,328	905	(16,233)	-	-
<i>Zamboanga Carriers, Inc</i>					
Due from affiliates	18,630	2,179	(17,916)	-	2,893
Dividends receivable	-	-	-	-	-
	18,630	2,179	(17,916)	-	2,893

(Forward)



Name and designation of debtor	Balance at beginning of year	Additions	Amounts collected	Amounts written off	Balance at end of year
<i>Hexagon Lounge, Inc.</i>					
Due from affiliates	₱55,370	₱-	(₱55,370)	₱-	₱-
<i>San Lorenzo Ruiz Investment Holdings and Services, Inc.</i>					
Due from affiliates	1,472,602	6,006,856	(6,683,422)	-	796,036
<i>Secon Professional</i>					
Due from affiliates	89,911	43,999	(90,697)	-	43,213
<i>ATYC, Inc.</i>					
Due from affiliates	-	6,892,921	(853,561)	-	6,039,360
<i>HI Cars, Inc. (formerly Honda Cars Kalookan Inc.)</i>					
Due from affiliates	1,016,415	818,070	(749,482)	-	1,085,003
	₱96,225,048	₱279,817,282	(₱200,608,657)	₱-	₱94,830,261

These receivables are non-interest bearing and are expected to be settled within the next twelve (12) months.

Schedule D. Intangible Asset - Other Noncurrent Assets

As at December 31, 2022, 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, IPO and MESI. Details of the Group's intangible assets are as follows:

Description	Balance at beginning of year	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)	Balance at end of year
Goodwill	₱484,829,719	₱-	₱-	₱-	₱-	₱484,829,719
Intellectual property rights	523,103,000	-	(32,220,936)	-	-	490,882,064
Student relationship	43,761,227	-	(33,002,141)	-	-	10,759,086
Computer software	27,336,914	17,403,328	(13,284,216)	-	-	31,456,026
	₱1,079,030,860	₱17,403,328	(₱78,507,293)	₱-	₱-	₱1,017,926,895

Schedule E. Long-term Debt

Below is the schedule of long-term debt of the Group:

Type of Obligation	Amount	Current	Noncurrent
<i>MCM</i>			
Peso-denominated ten (10) year term loan, payable in 20 equal quarterly payments which will start at the end of 21 st quarter from the initial drawdown date. Interest is subject to quarterly repricing	₱1,497,017,619	₱1,497,017,619	₱-
<i>NTC</i>			
Peso-denominated seven (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	358,998,600	24,430,200	334,568,400
<i>EEI</i>			
Floating-rate corporate promissory notes with effective interest of 3.5000%, 3.2500% and 3.4200% per annum for three years (3) years	4,607,632,881	3,153,445,912	1,454,186,969
<i>BIOTECH JP</i>			
Yen-denominated five (5) year, four and half (4.5) year term and ten (10) year term loan, with interest rate of 0.05% per annum, 0.30% per annum and 2.975% per annum, respectively	₱158,552,929	₱39,871,329	₱118,681,600
<i>ATYC</i>			
Peso-denominated promissory note payable on or before September 30, 2025 together with annual interest of 6.04% due every anniversary of the note starting September 30, 2023 until the note is fully paid.	2,409,321,250	-	2,409,321,250
	₱9,031,523,279	₱4,714,765,060	₱4,316,758,219



Schedule F. Indebtedness to Related Parties (Long-term Loans from Related Companies)

As at December 31, 2022, the Group has Peso-denominated promissory note with a related party amounting to ₱2.4 billion that is payable on or before September 30, 2025 together with annual interest of 6.04% due every anniversary of the note starting September 30, 2023 until the note is fully paid.

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, 2022.

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	574,655,552	2,368,580	199,441,149
Preferred shares	2,500,000,000	—	—	—	—



HOUSE OF INVESTMENTS, INC.**RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION**

Items	Amount
Unappropriated retained earnings, beginning	₱647,326,761
Cumulative prior year adjustments on provision for deferred taxes	(76,131,977)
Unappropriated retained earnings as adjusted, beginning	571,194,784
Net income for the year	849,797,087
Provision for deferred income tax through profit or loss	(1,249,947)
Less: Non-actual/unrealized income	
Equity in net income of associate/joint venture	—
Unrealized foreign exchange gain	—
Fair value adjustment (M2M gains)	—
Fair value adjustment of investment property resulting to gain adjustment due to deviation from PFRS/GAAP-gain	—
Other unrealized gain or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	—
Add: Non-actual losses	
Depreciation on revaluation increment (after tax)	—
Adjustment to deviation from PFRS/GAAP-loss	—
Loss in fair value adjustment of investment property (after tax)	—
Net income realized	848,547,140
Dividends declaration during the year	—
Appropriations of retained earnings during the year	—
Reversal of appropriations during the year	—
Unappropriated retained earnings, as adjusted, ending	₱1,419,741,924

INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Board of Directors and the Stockholders
House of Investments, Inc.
9th Floor, Grepalife Building
221 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, 2022 and 2021 and for each of the three years in the period ended December 31, 2022, and have issued our report thereon dated April 12, 2023. 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, 2022 and 2021 and for each of the three years in the period ended December 31, 2022 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Wenda Lynn M. Loyola

Wenda Lynn M. Loyola

Partner

CPA Certificate No. 109952

Tax Identification No. 242-019-387

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 109952-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-117-2022, January 20, 2022, valid until January 19, 2025

PTR No. 9564644, January 3, 2023, Makati City

April 12, 2023



HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES
SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS AS OF
DECEMBER 31, 2022 AND 2021

Financial Soundness Indicator

Below are the financial ratios that are relevant to the Group for the years ended December 31, 2022 and 2021:

Financial ratios		2022	2021
Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$	0.92:1	1.42:1
Solvency ratio	$\frac{\text{Net income plus depreciation}}{\text{Total liabilities}}$	0.10:1	0.10:1
Debt to equity ratio	$\frac{\text{Total liabilities}}{\text{Total equity}}$	0.82:1	0.90:1
Asset-to-equity ratio	$\frac{\text{Total assets}}{\text{Total equity}}$	1.82:1	1.90:1
Interest rate coverage	$\frac{\text{EBIT*}}{\text{Interest expense}}$	3.75:1	3.71:1
Return on assets	$\frac{\text{Net income}}{\text{Average total assets}}$	2.82%	2.98%
Return on equity	$\frac{\text{Net income}}{\text{Average total equity}}$	5.23%	6.26%

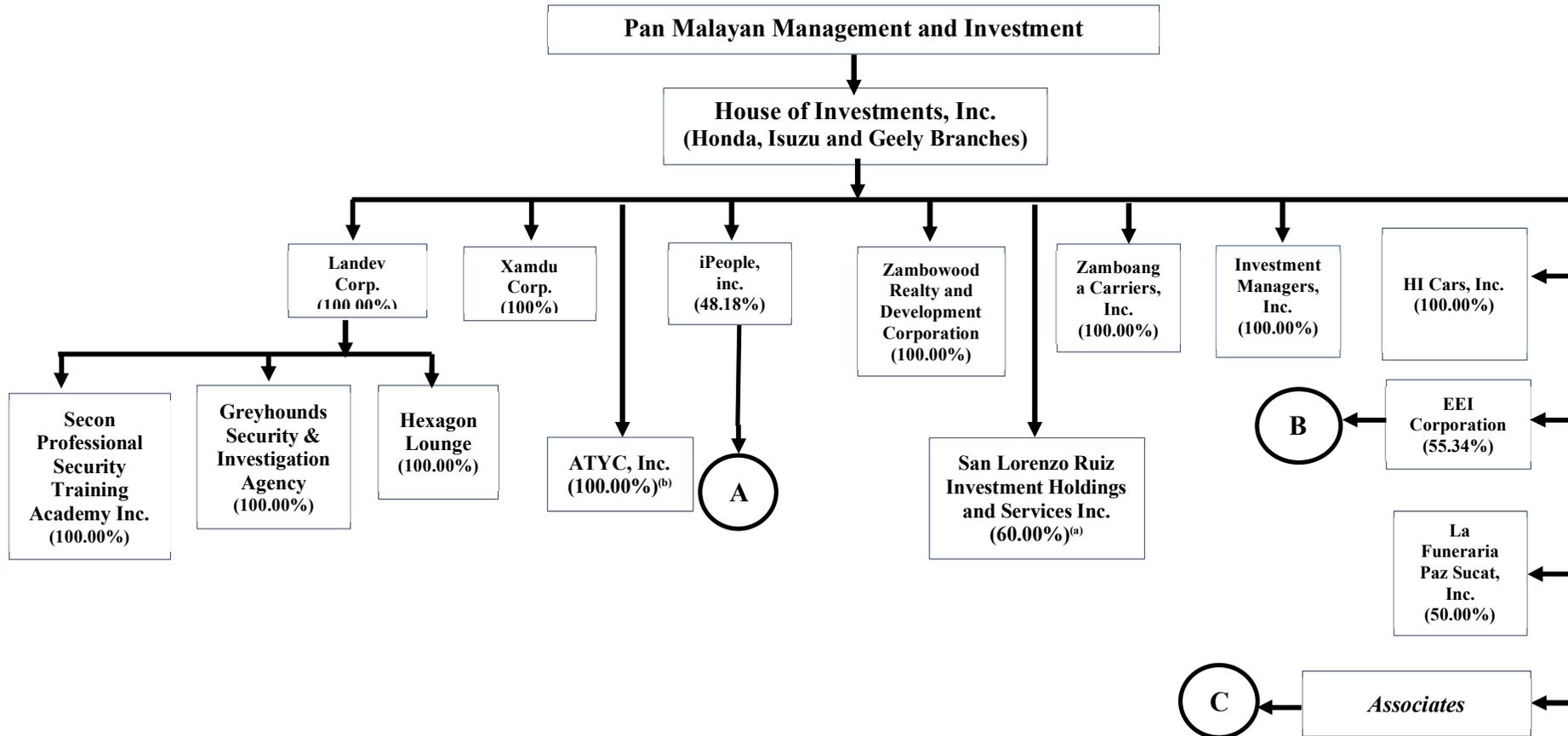
**Earnings before interest and taxes (EBIT)*

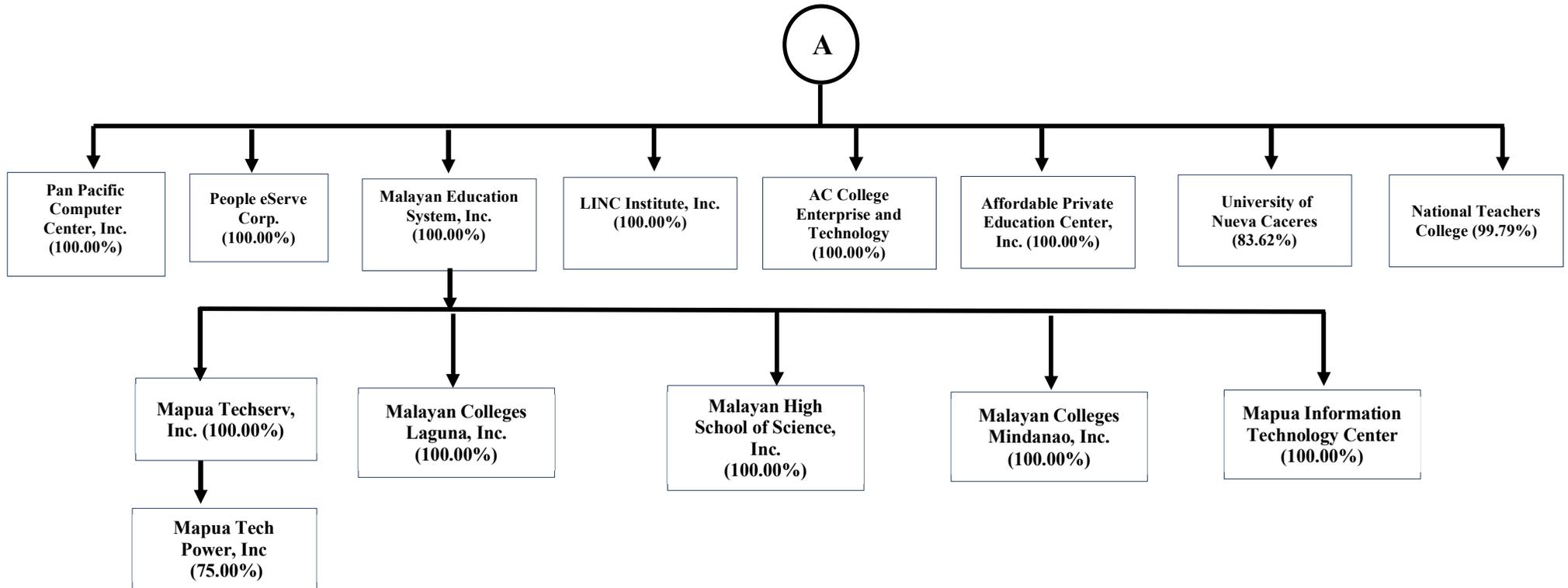
HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES

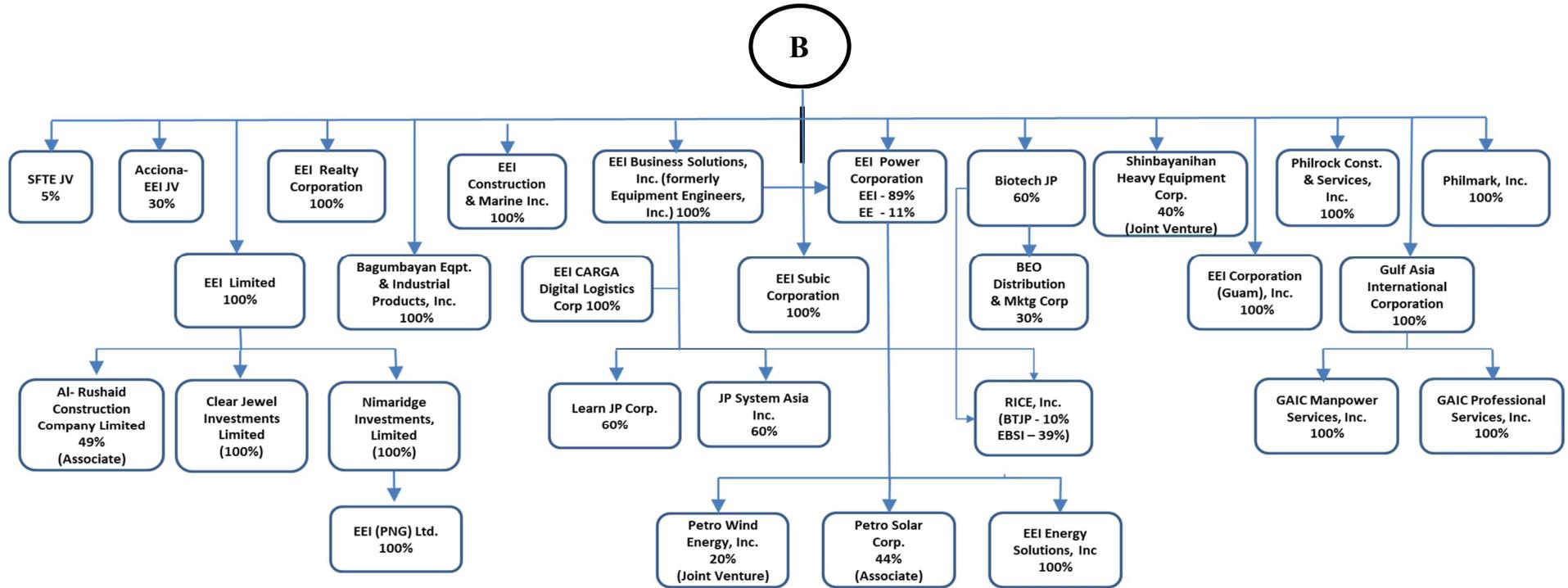
MAP OF RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP

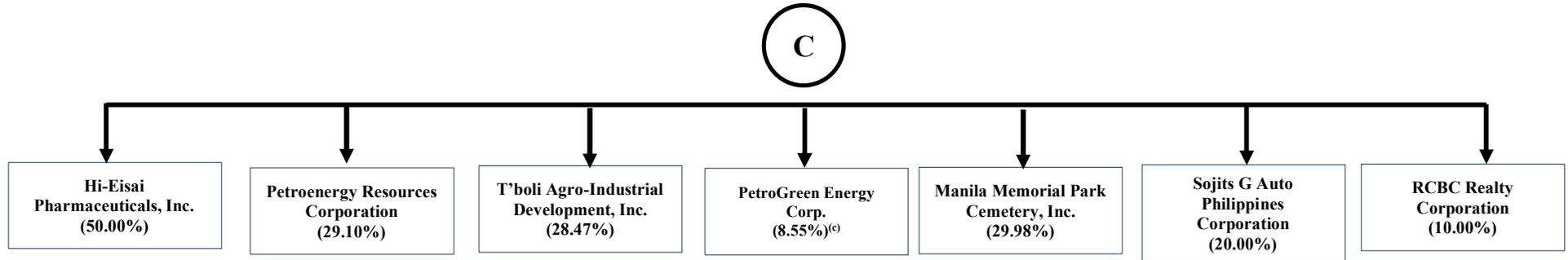
Group Structure

Below is a map showing the relationship between and among the Group and its ultimate parent company, subsidiaries, and associates as of December 31, 2022:









- a. *In February 2022, the Parent Company sold 1,612,759 common shares representing 14.64% ownership of SLRHSI to Sojitz Corporation. Further, on November 15, 2022, Sojitz Corporation subscribed and paid for additional authorized capital stock applied for by SLRHSI. Accordingly, the ownership stake of the Parent Company decreased from 100% to 60%.*
- b. *On September 1, 2022, the Parent Company acquired 5,000,000 common shares representing 100% ownership in ATYC.*
- c. *In 2022, the Group's indirect investment in PGEC, a subsidiary of PERC, was reduced from 10% to 8.55% due to sale of shares to KIC.*



Annex “E”

**HOUSE OF INVESTMENTS, INC.
AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS
OF MARCH 31, 2023 AND DECEMBER 31, 2022 AND
THREE MONTHS ENDED MARCH 31, 2023, 2022, AND 2021**

COVER SHEET

SEC Registration Number

1	5	3	9	3															
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COMPANY NAME

H	O	U	S	E		O	F		I	N	V	E	S	T	M	E	N	T	S	,		I	N	C	.		A	N	D	
S	U	B	S	I	D	I	A	R	I	E	S																			

PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

9	t	h		F	l	o	o	r	,		G	r	e	p	a	l	i	f	e		B	u	i	l	d	i	n	g	,	
2	2	1		S	e	n	.		G	i	l	J	.		P	u	y	a	t		A	v	e	n	u	e	,			
M	a	k	a	t	i		C	i	t	y	,		M	e	t	r	o		M	a	n	i	l	a						

Form Type

1	7	-	Q
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Department requiring the report

C	R	M	D
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Secondary License Type, If Applicable

N	/	A
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COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
<u>www.hoi.com.ph</u>	8815-9636 to 38	N/A
No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
375	July 21	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	8815-9636	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

AMENDED 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, 2023
2. SEC Identification Number 15393
3. BIR Tax Identification No. 000-463-069-000
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
Address of principal office 1200
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 of RSA

<u>Title of Each Class</u>	<u>Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding</u>
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, 2023 No debt registered pursuant to Section 4 and 8 of the RSA

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 ()

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

The interim consolidated financial statements of House of Investments, Inc. and Subsidiaries as of March 31, 2023 with comparative figures for the periods ended December 31, 2022 and March 31, 2022 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;

The current construction project pipeline of EEI Corporation requires additional investments in new capital equipment for EEI to deliver its projects to its customers. This will be financed through a combination of internally generated funds and new borrowings.

San Lorenzo Ruiz Investment Holdings and Services, Inc. is redeveloping a property along Sen. Gil J. Puyat Avenue in Makati into a mix-use commercial complex through a joint venture with Sojitz Corporation of Japan. The estimated development cost is P9.3 billion.

Except for EEI's construction activities and SLR's development project, there are 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.*

None.

(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.*

Results of Operations

	UNAUDITED		% Change	% to Total Revenue
	31-Mar-23	31-Mar-22		
REVENUES				
Sales of services	4,244,751,089	3,345,444,860	26.9%	63.3%
Sales of goods	1,389,467,582	1,065,379,267	30.4%	20.7%
School and related operations	1,073,364,032	870,501,961	23.3%	16.0%
	6,707,582,703	5,281,326,088	27.0%	100.0%
COSTS OF SALES AND SERVICES				
Cost of services	3,665,495,738	2,787,511,217	31.5%	54.6%
Cost of goods sold	1,315,972,698	1,002,409,027	31.3%	19.6%
School and related operations	575,797,412	476,674,876	20.8%	8.6%
	5,557,265,849	4,266,595,120	30.3%	82.9%
GROSS PROFIT	1,150,316,854	1,014,730,968	13.4%	17.1%
GENERAL AND ADMINISTRATIVE EXPENSE	(738,276,429)	(679,545,196)	8.6%	-11.0%
OTHER INCOME	71,746,842	44,926,131	59.7%	1.1%
EQUITY IN NET EARNINGS OF ASSOCIATES	(244,509,063)	368,017,303	-166.4%	-3.6%
INTEREST AND FINANCE CHARGES	(325,664,525)	(156,354,108)	108.3%	-4.9%
INCOME BEFORE INCOME TAX	(86,386,321)	591,775,098	-114.6%	-1.3%
PROVISION FOR INCOME TAX	20,438,837	(19,184,887)	-206.5%	0.3%
NET INCOME	(65,947,484)	572,590,210	-111.5%	-1.0%

Consolidated revenues were higher at P6,707.58 million compared to previous year's P5,281.33 million. Revenues generated by the Construction sector grew by 27%, from P3,345.44 million in same period last year to P4,244.75 million, due to increased production. Revenues from Automotive sector grew by 30%, due to higher sales and services intakes, while revenues from Education sector grew by 23%, due to higher enrollment.

Consolidated cost of sales and services increased by 30%. Whereas, general and administrative expenses (GAE) increased by 9%. The increase is attributable to higher a) security, janitorial and other services, due to increase in manpower and average daily wage rate; (b) DST payments relative to short-term loans; (c) advertising and promotions expense, as the group continuously intensifies its marketing activities; and (d) commissions and direct selling expenses related to the increase of sales in the automotive sector.

Other income pertains mainly to interests from short-term time deposits.

Equity in net earnings of associates is at negative P244.51 million this year, primarily due to losses incurred by the foreign affiliate of the Construction sector.

Interest and finance charges went up from P156.35 million to P325.66 million, due to higher level of debts coupled with higher average interest rates compared to last year.

As a result, the Group closed the quarter with a net loss of P65.95 million.

Financial Position

	Unaudited 31-Mar-23	Audited 31-Dec-22	% Change	% to Total Assets
ASSETS				
Current Assets				
Cash and cash equivalents	5,407,503,777	6,630,467,357	-18.4%	8.2%
Accounts receivable	4,749,159,282	4,250,815,749	11.7%	7.2%
Contract Assets	7,395,467,055	5,182,274,282	42.7%	11.2%
Receivable from related parties	164,851,946	178,008,353	-7.4%	0.2%
Inventories	1,721,235,283	1,502,027,586	14.6%	2.6%
Prepaid expenses and other current assets	2,333,950,525	2,132,246,953	9.5%	3.5%
Total Current Assets	21,772,167,868	19,875,840,280	9.5%	32.9%
Non-Current Assets				
Equity investments at Fair value through OCI (FVOCI)	654,258,282	650,642,033	0.6%	1.0%
Investments in associates and joint ventures	8,940,946,832	8,303,323,179	7.7%	13.5%
Investment properties	8,159,707,821	8,109,162,827	0.6%	12.3%
Property and Equipment				
At revalued amount	9,875,430,377	9,875,430,378	0.0%	14.9%
At cost	7,534,568,750	7,225,811,452	4.3%	11.4%
Right of use assets	1,149,978,177	1,194,764,548	-3.7%	1.7%
Goodwill	484,829,719	484,829,719	0.0%	0.7%
Retirement Asset	71,837,964	93,338,840	-23.0%	0.1%
Deferred tax assets - net	1,470,754,050	1,412,438,716	4.1%	2.2%
Contract Assets - net of current portion	3,144,371,048	5,190,526,530	-39.4%	4.8%
Other noncurrent assets - net	2,886,820,431	2,810,716,784	2.7%	4.4%
Total Noncurrent Assets	44,373,503,452	45,350,985,006	-2.2%	67.1%
	66,145,671,320	65,226,825,286	1.4%	100.0%
LIABILITIES and EQUITY				
Current Liabilities				
Loans payable	10,082,000,000	8,217,000,000	22.7%	15.2%
Accounts payable and accrued expenses	7,692,486,501	7,023,609,751	9.5%	11.6%
Current portion of long term debt	2,881,336,674	4,714,765,059	-38.9%	4.4%
Income tax payable	42,456,112	17,927,194	136.8%	0.1%
Due to related parties	5,503,748	2,532,535	117.3%	0.0%
Current portion of lease liability	181,625,311	168,473,399	7.8%	0.3%
Current portion of contract liabilities	1,152,253,349	1,387,334,090	-16.9%	1.7%
Total Current Liabilities	22,037,661,695	21,531,642,028	2.4%	33.3%
Noncurrent Liabilities				
Long-term debt - net of current portion	5,354,237,779	4,316,758,220	24.0%	8.1%
Contract liabilities - net of current portion	529,195,229	826,701,427	-36.0%	0.8%
Accrued retirement liability	211,730,185	200,096,343	5.8%	0.3%
Deferred tax liabilities	1,057,548,917	1,044,811,603	1.2%	1.6%
Lease Liability	1,154,574,099	1,210,356,879	-4.6%	1.7%
Other noncurrent liabilities	243,982,096	232,075,531	5.1%	0.4%
Total Noncurrent Liabilities	8,551,268,305	7,830,800,003	9.2%	12.9%
Total Liabilities	30,588,930,000	29,362,442,031	4.2%	46.2%
Equity				
Capital stock	1,162,540,326	1,162,540,326	0.0%	1.8%
Additional paid in capital	154,578,328	154,578,328	0.0%	0.2%
Equity reserve on acquisition of noncontrolling interest	1,932,007,449	1,932,007,449	0.0%	2.9%
Revaluation increment on land	2,218,473,182	2,218,473,182	0.0%	3.4%
Cumulative translation adjustment	335,446,048	352,101,517	-4.7%	0.5%
Changes in fair value of equity investments carried at FVOCI	115,375,859	111,000,523	3.9%	0.2%
Remeasurement losses on net retirement liability	(27,905,379)	(14,062,367)	98.4%	0.0%
Retained Earnings				
Unappropriated	4,936,384,706	4,944,402,862	-0.2%	7.5%
Appropriated	7,505,355,000	7,505,355,000	0.0%	11.3%
	18,332,255,519	18,366,396,820	-0.2%	27.7%
Noncontrolling interest	17,224,485,801	17,497,986,435	-1.6%	26.0%
Total Equity	35,556,741,320	35,864,383,255	-0.9%	53.8%
	66,145,671,320	65,226,825,286	1.4%	100.0%

Total consolidated assets of the Group stood at P66.15 billion from P65.23 billion in December 2022.

Total current assets went up to P21.77 billion from P19.88 billion. Cash and cash equivalents decreased mainly due to payment of loans and dividends to preferred shareholders of the Construction sector. Increase in receivables pertains mainly to progress billings of construction sector. Inventories increased primarily due to timing of purchases of the automotive sector. Contract assets increased due to reclassification of contracts that are expected to be recovered in the next 12 months, from non-current to current. Receivable from related parties decreased due to collections. Prepaid expenses and other current assets increased due to additional tax certificates received by the Group.

Total noncurrent assets decreased from P45.35 billion to P44.37 billion. Increase in investments in associates and joint ventures pertain mainly to additional investment of Construction group to its foreign affiliate. Decrease in retirement assets is due to recognition of retirement expenses as of the period.

Total consolidated liabilities increased from P29.36 billion to P30.59 billion.

Total current liabilities went up from P21.53 billion to P22.04 billion. Contract liabilities pertain to unearned tuition fees and current construction contract obligations, which are reduced as the corresponding revenue is recognized during the period. The net movement for the period pertains to recoupment of the Construction sector. Net movement in lease liabilities was due to the amortization as of the period.

Total noncurrent liabilities increased from P7.83 billion to P8.55 billion due to additional loans drawn by the Group.

Contract liabilities net of current portion refers to contract obligations of the Company for the projects classified as non-current with completion date beyond one year after balance sheet date. Accrued retirement liability increased from P0.20 billion to P0.21 billion.

Total consolidated equity decreased to P35.56 billion from P35.86 billion, while total consolidated retained earnings decreased to P12.44 billion from P12.45 billion in December 2022.

(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.

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, 2023 compared to March 31, 2022 and to December 31, 2022 are as follows:

Financial ratios		Unaudited 31-Mar-23	Unaudited 31-Mar-22	Audited 31-Dec-22
Current ratio Indicates the Group's ability to pay short-term obligations	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	0.99:1	1.50:1	0.92:1
Solvency Ratio Shows how likely a company will be to continue meeting its debt obligations	$\frac{\text{Net Income} + \text{Depreciation}}{\text{Total Liabilities}}$	0.01:1	0.03:1	0.10:1
Debt-to-equity ratio Measures the Group's leverage	$\frac{\text{Total Debt}}{\text{Equity}}$	0.86:1	0.79:1	0.82:1
Asset to Equity Ratio Shows how the company's leverage (debt) was used to finance the firm	$\frac{\text{Total Assets}}{\text{Equity}}$	1.86:1	1.79:1	1.82:1
Interest Rate Coverage Shows how easily a company can pay interest on outstanding debt	$\frac{\text{EBIT}}{\text{Interest Expense}}$	0.73:1	4.78:1	3.75:1
Return on Average Stockholders' Equity Reflects how much the Group's has earned on the funds invested by the stockholders	$\frac{\text{Net Income}}{\text{Average Equity}}$	(0.18%)	1.85%	5.23%
Return on Assets Measure the ability to utilize the Group's assets to create profits	$\frac{\text{Net Income}}{\text{Total Assets}}$	(0.10%)	1.01%	2.82%
Net Profit Margin Shows how much profit is made for every peso of revenue	$\frac{\text{Net Income}}{\text{Total Revenues}}$	(1%)	11%	7%

Asset Turnover Shows efficiency of asset used in operations	$\frac{\text{Total Revenues}}{\text{Total Assets}}$	0.10	0.09	0.37
Return on Equity Shows how much the business returns to the stockholders for every peso of equity capital invested	$\frac{\text{Net Income/Total Revenues} \times \text{Total Revenues}}{\text{Total Assets} \times \text{Total Assets} / \text{Total Equity}}$	(0.19%)	1.80%	4.81%

- Current ratio is lower at 0.99 as of the March 2023 compared with 1.50 as of March 2022. This is attributable to higher level of loans of the Group as of the period.
- Solvency ratio is lower at 0.01 as of March 2023 compared to 0.03 as of March 2022 due to lower earnings posted by the Group this year.
- Debt-to-equity ratio increased from 0.79 in March 2022 to 0.86 as of March 2023 due to higher total liabilities.
- Asset to equity ratio went up from 1.79 in March 2022 to 1.86 in March 2023 as a result of higher assets, primarily due to acquisition of ATYC's investment property.
- Interest rate coverage ratio is lower at 0.73 times compared to 4.78 as of March 2022 due to net loss registered by the Group compared to net income posted on the same period in previous year.
- Return on average stockholders' equity is lower at (0.18%) compared to 1.85% last year due to net loss position of the group as of the period.
- Return on assets (ROA) decreased from 1.01% last March 2022 to (0.10%) this quarter. This is attributable to the net loss registered by the Group.
- Net profit margin is higher at (1%) against 11% last year due to negative earnings taken up by construction sector from their foreign affiliate.
- Asset turnover is higher at 0.10 times compared to 0.09 times as of March 2022 because of higher revenues posted by the Group compared to same period last year.
- Return on equity is lower at (0.19%) against 1.80% as of March 2022. This is due to net loss registered by the Group compared to net income in the same period last year.

The above-mentioned ratios are applicable to the Group (Parent Company and its subsidiaries) as a whole.

PART II – OTHER INFORMATION

On April 25, 2023, the Board of House of Investments Inc. approved the following:

1. Sale of 207,256,297 common shares, representing 20% of the outstanding common shares of EEI Corporation to RYM Business Management Corporation, for a total consideration of P1.25 billion. The Deed of Sale was executed on April 26, 2023, reducing the ownership of the Parent Company to 35.346%.
2. Authority to enter in a Share Swap Agreement with Pan Malayan Management & Investment Corporation (PMMIC), whereby HI will issue 397,703,801 common shares to PMMIC in exchange for the acquisition of 100% of PMMIC's outstanding shareholdings in MICO Equities, Inc. The subscription price for the shares to be issued to PMMIC is P22.71111 per share or a total subscription price of P9,032,294,771.93.
3. Authority to enter in a Share Swap Agreement with GPL Holdings, Inc, whereby HI will issue 295,133,148 common shares to GPLH in exchange for the acquisition of 100% of GPLH's outstanding shareholdings in Sunlife Grepa Financial Inc. and Grepa Realty Holdings Corporation. The subscription price for the shares to be issued to GPLH is P22.71111 per share or a total subscription price of P6,702,801,388.87.

EXHIBIT 1

**HOUSE OF INVESTMENTS, INC. and
SUBSIDIARIES**

**Interim Condensed
Unaudited Consolidated Financial Statements**

**March 31, 2023 and 2022 (Unaudited)
and
December 31, 2022 (Audited)**

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

	Unaudited Mar 2023	Audited Dec 2022
ASSETS		
Current Assets		
Cash and cash equivalents (Note 6)	P5,407,503,777	P6,630,467,357
Receivables (Note 7)	4,749,159,282	4,250,815,749
Contract assets (Note 8)	7,395,467,055	5,182,274,282
Inventories (Note 9)	1,721,235,283	1,502,027,586
Receivables from related parties	164,851,946	178,008,353
Prepaid expenses and other current assets (Note 10)	2,333,950,525	2,132,246,953
Total Current Assets	21,772,167,868	19,875,840,280
Noncurrent Assets		
Contract assets - net of current portion (Note 8)	3,144,371,048	5,190,526,530
Equity investments at fair value through other comprehensive income (FVOCI) (Note 11)	654,258,282	650,642,033
Investments in associates and joint ventures (Note 12)	8,940,946,832	8,303,323,179
Property and equipment (Note 13)		
At revalued amount	9,875,430,378	9,875,430,378
At cost	7,534,568,750	7,225,811,452
Investment properties (Note 15)	8,159,707,821	8,109,162,827
Deferred tax assets - net	1,470,754,050	1,412,438,716
Right-of-use assets	1,149,978,177	1,194,764,548
Goodwill (Note 14)	484,829,719	484,829,719
Retirement assets	71,837,964	93,338,840
Other noncurrent assets (Note 16)	2,886,820,431	2,810,716,784
Total Noncurrent Assets	44,373,503,452	45,350,985,006
Total Assets	P66,145,671,320	P65,226,825,286
LIABILITIES AND EQUITY		
Current Liabilities		
Loans payable (Note 18)	P10,082,000,000	P8,217,000,000
Accounts payable and other current liabilities (Note 17)	7,692,486,501	7,023,609,751
Current portion of long-term debt (Note 19)	2,881,336,674	4,714,765,059
Current portion of contract liabilities (Note 8)	1,152,253,349	1,387,334,090
Current portion of lease liabilities	181,625,311	168,473,399
Income tax payable	42,456,112	17,927,194
Due to related parties	5,503,748	2,532,535
Total Current Liabilities	22,037,661,695	21,531,642,028
Noncurrent Liabilities		
Long-term debt - net of current portion (Note 19)	5,354,237,779	4,316,758,220
Contract liabilities - net of current portion (Note 8)	529,195,229	826,701,427
Lease liabilities - net of current portion	1,154,574,099	1,210,356,879
Deferred tax liabilities – net	1,057,548,917	1,044,811,603
Retirement liabilities	211,730,185	200,096,343
Other noncurrent liabilities	243,982,096	232,075,531
Total Noncurrent Liabilities	8,551,268,305	7,830,800,003
Total Liabilities	P30,588,930,000	P29,362,442,031

(Forward)

	Unaudited Mar 2023	Audited Dec 2022
Equity		
Attributable to equity holders of the Parent Company		
Preferred stock (Note 21)	P-	P-
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	1,932,007,449	1,932,007,449
Revaluation increment on land - net (Note 13)	2,218,473,182	2,218,473,182
Cumulative translation adjustments	335,446,048	352,101,517
Fair value reserve of equity investments at FVOCI (Note 11)	115,375,859	111,000,523
Remeasurement loss on retirement obligation	(27,905,379)	(14,062,367)
Retained earnings (Note 20)		
Unappropriated	4,936,384,706	4,944,402,862
Appropriated	7,505,355,000	7,505,355,000
	18,332,255,519	18,366,396,820
Non-controlling interests (Note 36)	17,224,485,801	17,497,986,435
Total Equity	35,556,741,320	35,864,383,255
	P66,145,671,320	P65,226,825,286

See accompanying Notes to Consolidated Financial Statements.

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

	Quarter Ended March 31		
	2023	2022	2021
REVENUE (Note 23)	₱6,707,582,703	₱5,281,326,088	₱5,640,724,159
COSTS OF SALES AND SERVICES (Note 25)	5,557,265,849	4,266,595,120	4,620,969,472
GROSS PROFIT (LOSS)	1,150,316,854	1,014,730,968	1,019,754,687
GENERAL AND ADMINISTRATIVE EXPENSES (Note 29)	(738,276,429)	(679,545,196)	(685,614,936)
EQUITY IN NET EARNINGS OF ASSOCIATES AND JOINT VENTURES (Note 12)	(244,509,063)	368,017,303	311,383,190
INTEREST AND FINANCE CHARGES (Note 31)	(325,664,525)	(156,354,108)	(190,675,378)
OTHER INCOME - Net (Note 24)	71,746,842	44,926,131	42,824,606
INCOME (LOSS) BEFORE INCOME TAX	(86,386,321)	591,775,098	497,672,169
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 33)	20,438,837	(19,184,887)	(30,214,528)
	20,438,837	(19,184,887)	(30,214,528)
NET INCOME (LOSS)	(₱65,947,484)	₱572,590,211	₱467,457,641
Net income (loss) attributable to:			
Equity holders of the Parent Company	(₱8,018,156)	₱373,883,269	₱319,255,301
Non-controlling interests	(57,929,328)	198,706,942	148,202,340
	(₱65,947,484)	₱572,590,211	₱467,457,641
EARNINGS (LOSS) PER SHARE (Note 22)			
Basic	(₱0.1387)	₱0.3531	₱0.4112
Diluted	(₱0.1387)	₱0.3531	₱0.4112

See accompanying Notes to Consolidated Financial Statements.

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

	Quarter Ended March 31		
	2023	2022	2021
NET INCOME (LOSS)	(P65,947,484)	P572,590,211	P467,457,641
OTHER COMPREHENSIVE INCOME (LOSS)			
<i>Items to be reclassified to profit or loss in subsequent periods:</i>			
Share in other comprehensive gain (loss) of an associate	38,528,464		
Cumulative translation adjustments	(30,096,620)	42,230,719	9,415,494
<i>Items not to be reclassified to profit or loss in subsequent periods:</i>			
Changes in fair value of equity investments carried at FVOCI (Note 11)	4,116,249	7,183,233	(719,627)
Revaluation increment on land (Note 13)		30,517,850	(1,250,000)
Remeasurement gain (loss) on net retirement	(51,742,849)	1,091,051	(73,701)
	(39,194,756)	81,022,853	7,372,166
TOTAL COMPREHENSIVE INCOME (LOSS)	(P105,142,240)	P653,613,064	P474,829,807
Total comprehensive income (loss) attributable to:			
Equity holders of the Parent Company	(P34,141,301)	P433,781,977	P323,290,329
Non-controlling interests	(71,000,939)	219,831,087	151,539,478
	(P105,142,240)	P653,613,064	P474,829,807

See accompanying Notes to Consolidated Financial Statements.

HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD ENDED MARCH 31, 2023, 2022 AND 2021

	Attributable to the Group											
	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	Deposit for Future Subscription	Retained Earnings	Total	Attributable to Noncontrolling Interest	Total
For the Period Ended March 31, 2023												
Balances as at January 1, 2023	P1,162,540,326	P154,578,328	P1,932,007,449	P2,218,473,182	P352,101,517	P111,000,523	(P14,062,367)	P-	P12,449,757,862	P18,366,396,820	P17,497,986,435	P35,864,383,255
Restatement of retained earnings	-	-	-	-	-	-	-	-	-	-	-	-
	1,162,540,326	154,578,328	1,932,007,449	2,218,473,182	352,101,517	111,000,523	(14,062,367)	-	12,449,757,862	18,366,396,820	17,497,986,435	35,864,383,255
Net income	-	-	-	-	-	-	-	-	(8,018,156)	(8,018,156)	(57,929,328)	(65,947,484)
Other comprehensive income	-	-	-	-	(16,655,470)	4,375,336	(13,843,011)	-	-	(26,123,145)	(13,071,610)	(39,194,755)
Total comprehensive income	-	-	-	-	(16,655,470)	4,375,336	(13,843,011)	-	(8,018,156)	(34,141,301)	(71,000,939)	(105,142,240)
Dividends declared by Parent Company	-	-	-	-	-	-	-	-	-	-	-	-
Dividends declared by subsidiaries	-	-	-	-	-	-	-	-	-	-	(202,499,695)	(202,499,695)
Total dividends declared	-	-	-	-	-	-	-	-	-	-	-	-
Balances as at March 31, 2023	P1,162,540,326	P154,578,328	P1,932,007,449	P2,218,473,182	P335,446,048	P115,375,859	(P27,905,378)	P-	P12,441,739,706	P18,332,255,520	P17,224,485,801	P35,556,741,320
For the Period Ended March 31, 2022												
Balances as at January 1, 2022	P1,162,540,326	P154,578,328	P1,598,421,700	P1,445,367,746	P271,303,940	P67,330,660	(P101,768,611)	P-	P11,076,014,388	P15,673,788,477	P14,441,764,107	P30,115,552,584
Restatement of retained earnings	-	-	-	-	-	-	-	-	-	-	-	-
Deposit for future subscription	-	-	-	-	-	-	-	486,402,476	-	486,402,476	-	486,402,476
Acquisition of noncontrolling interest	-	-	(4,291,058)	-	-	-	-	-	-	(4,291,058)	189,650,728	185,359,670
	1,162,540,326	154,578,328	1,594,130,642	1,445,367,746	271,303,940	67,330,660	(101,768,611)	486,402,476	11,076,014,388	16,155,899,895	14,631,414,835	30,787,314,730
Net income	-	-	-	-	-	-	-	-	704,683,157	704,683,157	198,706,942	903,390,099
Other comprehensive income	-	-	-	30,056,573	23,370,480	5,380,603	1,091,051	-	-	59,898,708	21,124,146	81,022,853
Total comprehensive income	-	-	-	30,056,574	23,370,480	5,380,603	1,091,051	-	704,683,157	764,581,865	219,831,088	984,412,952
Dividends declared by Parent Company	-	-	-	-	-	-	-	-	-	-	-	-
Dividends declared by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-
Total dividends declared	-	-	-	-	-	-	-	-	-	-	-	-
Balances as at March 31, 2022	P1,162,540,326	P154,578,328	1,594,130,642	P1,475,424,319	294,674,420	72,711,263	(100,677,560)	486,402,476	11,780,697,545	16,920,481,760	14,851,245,923	P31,771,727,682
For the Period Ended March 31, 2021												
Balances as at January 1, 2021	P1,162,540,326	P154,578,328	P1,623,004,873	P1,294,577,413	P225,003,108	P175,482,289	(P259,954,683)	-	P9,785,834,055	P14,161,096,308	P7,693,090,171	P21,854,186,436
Acquisition of noncontrolling interest	-	-	-	-	-	-	-	-	-	-	-	-
	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	14,161,096,308	7,693,090,171	21,854,186,436
Net income	-	-	-	-	-	-	-	-	319,255,301	319,255,301	148,202,340	467,457,641
Other comprehensive income	-	-	-	(602,250)	5,210,535	(532,470)	(40,786)	-	-	4,035,028	3,337,139	7,372,167
Total comprehensive income	-	-	-	(602,250)	5,210,535	(532,470)	(40,786)	-	319,255,301	323,290,329	151,539,478	474,829,807
Dividends declared by Parent Company	-	-	-	-	-	-	-	-	-	-	-	-
Dividends declared by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-
Total dividends declared	-	-	-	-	-	-	-	-	-	-	-	-
Balances as at March 31, 2021	P1,162,540,326	P154,578,328	1,623,004,873	P1,293,975,163	P230,243,643	P174,950,419	(P259,995,469)	-	P10,105,089,356	P14,484,386,638	P7,844,629,605	P22,329,016,244

See accompanying Notes to Consolidated Financial Statements.

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

	Quarter Ended March 31		
	2023	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax	(₱86,386,321)	₱591,775,098	₱497,672,169
Adjustments for:			
Depreciation and amortization (Note 30)	296,613,476	263,223,326	297,768,552
Interest and finance charges (Note 31)	325,664,526	156,354,108	190,675,378
Movements in net retirement liabilities	(2,209,169)	24,222,196	27,847,807
Market gain on financial asset at fair value through profit or loss (FVPL)	(234,499)	–	(592,846)
Dividend income (Note 24)	(51,700)	–	(1,882,633)
Unrealized foreign exchange loss (gain) (Note 24)	661,835	(6,566,009)	(19,527,939)
Interest income (Note 24)	(60,384,590)	(22,878,646)	(4,052,585)
Gain on sale of:			
Investment properties (Note 24)	–	(14,751)	(204,500)
Property and equipment (Note 24)	–	(6,623,325)	(2,620,244)
Equity in net earnings of associates and joint venture (Note 12)	244,509,063	(368,017,303)	(311,383,190)
Operating income (loss) before working capital changes	718,182,621	631,474,694	673,699,969
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Receivables	(498,343,533)	(551,897,720)	783,154,699
Contract assets	(2,213,192,774)	552,450,218	(206,956,523)
Inventories	(219,207,698)	(56,303,542)	(276,435,245)
Receivables from related parties	13,156,407	52,765,743	(92,062,165)
Prepaid expenses and other current assets	(201,703,572)	(135,964,847)	115,211,002
Other noncurrent assets	1,160,453,821	(92,113,125)	62,422,024
Increase (decrease) in:			
Accounts payable and other current liabilities	668,876,749	(36,682,699)	(895,736,571)
Contract liabilities	(532,586,939)	(887,372,845)	(376,219,194)
Due to related parties	2,971,213	6,367,128	(2,211,145)
Other noncurrent liabilities	(30,724,303)	1,005,818,220	(97,674,649)
Net cash generated from (used in) operations	(1,132,118,008)	488,541,225	(312,807,798)
Interest received	60,384,590	22,878,646	4,052,585
Income tax paid, including creditable withholding taxes	(610,264)	(28,392,853)	(5,633,456)
Interest and finance charges paid (Note 31)	(325,664,526)	(156,354,108)	(190,675,378)
Net cash flows used in operating activities	(1,398,008,208)	326,672,910	(505,064,047)

(Forward)

	Quarter Ended March 31		
	2023	2022	2021
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of:			
Property and equipment (Note 13)	₱-	₱395,799,064	₱2,620,244
Investment properties (Note 15)	-	4,777,667	204,500
Dividends received	4,372,266	-	1,882,633
Acquisitions of:			
Computer software (Note 16)	(9,574,436)	(7,696,841)	(6,100,712)
Property and equipment	(605,370,773)	-	-
Investments properties (Note 15)	(50,544,994)	-	-
Proceeds from deposit for future subscription	-	486,402,476	-
Net cash flows provided by (used in) investing activities	(661,117,937)	879,282,366	(1,393,335)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Loans payable (Note 18)	3,431,408,437	1,900,030,822	2,526,000,000
Long-term debt - inclusive of transaction costs (Note 19)	6,764,944	4,116,345	497,454,761
Changes in non-controlling interests	(232,226,775)	206,483,818	3,337,137
Payments of:			
Long-term debt (Note 19)	(1,566,408,437)	(3,311,500,000)	(3,055,616,308)
Loans payable (Note 18)	(802,713,770)	(875,000,000)	-
Net cash flows provided by financing activities	836,824,399	(2,075,869,015)	(28,824,410)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS			
	(661,834)	6,566,009	19,527,939
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			
	(1,222,963,580)	(863,347,729)	(515,753,853)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR			
	6,630,467,357	9,056,486,073	3,218,733,775
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)			
	₱5,407,503,777	₱8,193,138,344	₱2,702,979,922

See accompanying Notes to Consolidated Financial Statements.

HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information and Authorization for Issuance of Consolidated Financial Statements

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. As per Section 11 of Revised Corporation Code (RCC) enacted in 2021, a corporation shall have perpetual existence unless its articles of incorporation provide otherwise. Further explained in Securities and Exchange Commission (SEC) Memorandum Circular No. 22 Series of 2021, “the corporate term of a corporation with certificate of incorporation issued prior to the effectivity of the RCC and which continue to exist, shall be deemed perpetual upon the effectivity of the RCC, without any action on the part of the corporation.” Thus, there is no need to amend or extend Parent Company’s corporate life as it already enjoys perpetual existence.

The Parent Company and its subsidiaries (collectively known as the Group) are primarily engaged in car dealership, construction, education, afterlife services, consumer finance, property leasing and 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 9th Floor, Grepalife Building, 221 Sen. Gil J. Puyat Avenue, Makati City, Metro Manila.

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 statements include the Parent Company and the following companies that it controls:

	Place of Incorporation	Nature of Business	Functional Currency	Percentage of Ownership			
				2023		2022	
				Direct	Indirect	Direct	Indirect
		Insurance agent, financing, trading and real estate	Philippine Peso	100.00	–	100.00	–
Investment Managers, Inc. (IMI)	Philippines		Philippine Peso	100.00	–	100.00	–
Landev Corporation	Philippines	Property management	Philippine Peso	–	–	–	–
San Lorenzo Ruiz Investment Holdings and Services Inc. (SLRHSI) ^(a)	Philippines	Holding company	Philippine Peso	60.00	–	60.00	–
ATYC, Inc. (ATYC) ^(b)	Philippines	Property leasing	Philippine Peso	100.00	–	–	–
Xamdu Motors, Inc. (XMI)	Philippines	Car dealership	Philippine Peso	100.00	–	100.00	–
Zamboanga Carriers, Inc. (ZCI) ^(d)	Philippines	Transportation	Philippine Peso	–	–	100.00	–
Zambowood Realty and Development Corporation (ZRDC) ^(d)	Philippines	Real estate	Philippine Peso	–	–	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
HI Cars, Inc. (HCI)	Philippines	Car dealership	Philippine Peso	100.00	–	100.00	–
La Funeraria Paz Sucat, Inc. (LFPSI)	Philippines	Memorial services	Philippine Peso	50.00	13.00	50.00	13.00
EEl Corporation (EEI)	Philippines	Construction	Philippine Peso	55.34	–	55.34	–
EEl Limited	British Virgin Islands	Holding company	US Dollar	–	100.00	–	100.00
Clear Jewel Investments, Ltd.	British Virgin Islands	Holding company	US Dollar	–	100.00	–	100.00
Nimaridge Investments, Limited	British Virgin Islands	Holding company	US Dollar	–	100.00	–	100.00
EEl (PNG), Ltd	Papua New Guinea	Holding company	US Dollar	–	100.00	–	100.00
EEl Corporation (Guam), Inc.	America	Construction	US Dollar	–	100.00	–	100.00
EEl Construction and Marine, Inc.	Philippines	Construction	Philippine Peso	–	100.00	–	100.00
EEl Realty Corporation (EEl Realty)	Philippines	Real estate	Philippine Peso	–	100.00	–	100.00
EEl Subic Corporation	Philippines	Construction	Philippine Peso	–	100.00	–	100.00
EEl Business Solutions, Inc. (formerly Equipment Engineers, Inc., EBSI) ^(c)	Philippines	Construction	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	Philippines	Manufacturing food and therapeutic food	Philippine Peso	–	60.00	–	60.00
Learn JP Corp	Philippines	Service for improvement in language proficiency	Philippine Peso	–	60.00	–	60.00
EEl 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
Bagumbayan Equipment & Industrial Products, Inc.	Philippines	Consultancy services	Philippine Peso	–	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
EEl Energy Solutions Corporation (EESC)	Philippines	Retail electricity supplier	Philippine Peso	–	100.00	–	100.00
EEl Carga Digital Logistics Corporation (EEl Carga)	Philippines	Digital logistics	Philippine Peso	–	100.00	–	100.00
iPeople, inc. (IPO)	Philippines	Education and Information Technology	Philippine Peso	48.18	–	48.18	–
Malayan Education System, Inc. (MESI) (Operating Under the Name of Mapua University)	Philippines	Education and Information Technology	Philippine Peso	–	100.00	–	100.00
Malayan Colleges Laguna, Inc., A Mapua School (MCLI)	Philippines	Education and Information Technology	Philippine Peso	–	100.00	–	100.00
Malayan Colleges Mindanao (A Mapua School), Inc. (MCMi)	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
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
Mapua Techpower Inc.	Philippines	Consultancy	Philippine Peso	–	75.00	–	75.00
(Forward)							
People eServe Corporation	Philippines	Education and Information Technology	Philippine Peso	–	100.00	–	100.00

	Place of Incorporation	Nature of Business	Functional Currency	Percentage of Ownership			
				2023		2022	
				Direct	Indirect	Direct	Indirect
Pan Pacific Computer Center, Incorporated (PPCCI)	Philippines	Education and Information Technology	Philippine Peso	-	100.00	-	100.00
Affordable Private Education Center, Inc doing business under the name of APEC Schools (APEC)	Philippines	Education and Information Technology	Philippine Peso	-	100.00	-	100.00
National Teachers College doing business under the name/s and style/s of The National Teachers College	Philippines	Education and Information Technology	Philippine Peso	-	99.79	-	99.79
University of Nueva Caceres	Philippines	Education and Information Technology	Philippine Peso	-	83.62	-	83.62
AC College of Enterprise and Technology, Inc	Philippines	Education and Information Technology	Philippine Peso	-	100.00	-	100.00
LINC Institute, Inc doing business under the Name and Style of LINC Academy	Philippines	Education and Information Technology	Philippine Peso	-	100.00	-	100.00

- (a) In February 2022, the Parent Company sold 1,612,759 common shares representing 14.64% ownership of SLRHSI to Sojitz Corporation. Further, on November 15, 2022, Sojitz Corporation subscribed and paid for additional authorized capital stock applied for by SLRHSI. Accordingly, the ownership stake of the Parent Company decreased from 100% to 60%.
- (b) On September 1, 2022, the Parent Company acquired 5,000,000 common shares representing 100% ownership in ATYC.
- (c) On May 27, 2022, the corporate name of EBSI was changed for the purpose of establishing a separate and distinct identity from EEI.
- (d) Corporate life of ZCI and ZRDC has ended effective January 1, 2023.

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.

The Parent Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Parent Company obtains control over the subsidiary and ceases when the Parent Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statements of income and consolidated statements of comprehensive income from the date the Parent Company gains control until the date the Parent Company ceases to control the subsidiary.

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.

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 Parent Company 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

Non-controlling interests (NCI) represent the portion of equity not attributable to the Parent Company. Profit or loss and each component of other comprehensive income (OCI) 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. Non-controlling interests are presented separately in the consolidated statements of comprehensive income and within the equity section of the consolidated statements of financial position and consolidated statements of changes in equity, separately from the equity attributable to equity holders of the Parent Company.

3. Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective in 2022. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. The adoption of these pronouncements does not have a significant impact on the Group's consolidated financial statements unless otherwise indicated.

- Amendments to PFRS 3, *Reference to the Conceptual Framework*

The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately.

At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively. The amendment has no impact to the consolidated financial statements.

- Amendments to PAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*

The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments have no impact to the consolidated financial statements.

- Amendments to PAS 37, *Onerous Contracts - Costs of Fulfilling a Contract*

The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a “directly related cost approach.” The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

The amendments have no impact to the consolidated financial statements.

- Annual Improvements to PFRSs 2018-2021 Cycle
- o Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*

The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent’s date of transition to PFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The amendments have no impact to the consolidated financial statements.

- Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities*

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Group. The amendments have no impact to the consolidated financial statements.

- Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted. The amendments have no impact to the consolidated financial statements.

Effective beginning on or after January 1, 2023

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies, and
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

The amendments to the Practice Statement provide non-mandatory guidance. Meanwhile, the amendments to PAS 1 are effective for annual periods beginning on or after January 1, 2023. Early application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Group.

- Amendments to PAS 8, *Definition of Accounting Estimates*

The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

An entity applies the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented for annual reporting periods on or after January 1, 2023.

The Group is still assessing the impact of the amendments to the consolidated financial statements.

Standards Issued But Not Yet Effective

Pronouncements issued but not yet effective are listed below. The Group intends to adopt the following pronouncements when they become effective. The adoption of these pronouncements is not expected to have a significant impact on the Group's consolidated financial statements unless otherwise indicated.

Effective beginning on or after January 1, 2024

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*

The amendments clarify:

- That only covenants with which an entity must comply on or before reporting date will affect a liability's classification as current or non-current.
- That classification is unaffected by the likelihood that an entity will exercise its deferral right.
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*

The amendments specify how a seller-lessee measures the lease liability arising in a sale and leaseback transaction in a way that it does not recognize any amount of the gain or loss that relates to the right of use retained.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. Earlier adoption is permitted and that fact must be disclosed.

The Group is still assessing the impact of the amendments to the consolidated financial statements.

Effective beginning on or after January 1, 2025

- *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

On December 15, 2021, the FRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2021-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB.

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

The amendments are not expected to have a material impact on the Group.

Deferred Effectivity

- *Amendments to PFRS 10 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 IASB 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.

The Group is still assessing the impact of the amendments to the consolidated financial statements.

4. Summary of Significant Accounting Policies

Leases

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 less 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, land improvements and sites	5 to 66
Building, office spaces and warehouses	2 to 10
Other equipment	1 to 3

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.

Sale and leaseback

When entering into a sale and leaseback transaction, the Group determines whether the transfer qualifies as a sale based on the requirements satisfying a performance obligation under PFRS 15.

When the transfer of the asset is a sale, the Group measures the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right-of-use retained by the Group. Gain or loss is recognized only at the amount that relates to the rights transferred to the buyer-lessor.

When the transfer of the asset is not a sale under PFRS 15 requirements, the Group continues to recognize the asset in its statement of financial position and accounts for the proceeds from the sale and leaseback as a financial liability in accordance with PFRS 9.

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.

Revenue Recognition

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 updates its estimate of the transaction price at the end of each reporting period to reflect any changes in circumstances that would result to changes in amount of variable consideration.

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 schools and related operations

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-related

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.

Onerous contracts

If the Group has a contract that is onerous, the present obligation under the contract is recognized and measured as a provision. However, before a separate provision for an onerous contract is established, the Group recognizes any impairment loss that has occurred on assets dedicated to that contract.

An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the Group cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. The cost of fulfilling a contract comprises the costs that relate directly to the contract (i.e., both incremental costs and an allocation of costs directly related to contract activities).

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.

The Group presents each contract with customer in the consolidated statement of financial position either as a contract asset or a contract liability.

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 is 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, respectively.

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.

'Day 1' difference

Where the transaction price in a non-active market is different to the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in profit or loss, unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'Day 1' difference amount.

Financial Instruments

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 assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date. The Group follows the settlement date accounting where an asset to be received and liability to be paid are recognized on the settlement date and derecognition of an asset that is sold and the recognition of a receivable from the buyer are recognized on the settlement date.

Financial Instruments - Initial Recognition and Subsequent Measurement

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.

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, Receivables from related parties and Loan receivable under Other noncurrent asset account.

Financial assets at fair value through profit or loss

A financial asset shall be measured at fair value through profit or loss unless it is measured at amortized cost or at fair value through other comprehensive income (OCI). However, an entity may make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in OCI.

The Group may, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as an ‘accounting mismatch’) that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.

Included in this classification is the peso-denominated investment in Unit Investment Trust Fund in Rizal Commercial Banking Corporation (RCBC) under Prepaid expenses and other current assets account.

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 equity investments other than those classified to fair value through profit or loss under this category.

The Group does not have any debt financial assets at fair value through OCI as of March 31, 2023 and December 31, 2022.

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 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, Due to related parties and Lease liabilities.

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.

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements of financial position if there is a currently enforceable legal right to set off the recognized amounts and there is 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.

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) planning and design cost, cost of site preparation, professional fees, property taxes, construction overheads and other related costs that are directly attributable in bringing the real estate inventories to its intended condition.

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.

Materials issued but still uninstalled to construction projects are not considered as part of computation for percentage of completion of projects.

Prepaid Expenses

These are recorded as asset before they are utilized and apportioned over the period covered by the payment and charged to the appropriate account in the consolidated statement of income when incurred.

Advance to Suppliers and Subcontractors

Advance to suppliers and subcontractors represents advance payment for the purchase of various construction materials and down payment to subcontractors for the contract work to be performed.

Creditable Withholding Tax (CWT)

CWT pertains to the tax withheld source by the Group's customers and lessees and is creditable against its income tax liability.

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.

Short-term Investments

Short-term investment pertains to interest bearing time deposits with terms of not more than one year and held for investment purposes.

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 Ventures

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	
				2023	2022
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	29.10
PetroGreen Energy Corporation (PGEC) ^(a)	Philippines	Renewable energy	Philippine peso	7.50	8.55
T'boli Agro-Industrial	Philippines	Agriculture	Philippine peso	28.47	28.47

	Place of Incorporation	Nature of Business	Functional Currency	Percentage of Ownership	
				2023	2022
Development, Inc. 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	20.00
RCBC Realty Corporation (RRC)	Philippines	Realty	Philippine peso	10.00	10.00
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
Rice Integrated Commercial Enterprise, Inc. (RICEI)	Philippines	Support activities to agriculture and post-harvest crop activities	Philippine peso	49.00	49.00
Joint ventures:					
PetroWind Energy, Inc. (PWEI)	Philippines	Renewable energy	Philippine peso	20.00	20.00
Shinbayanihan Heavy Equipment Corporation (SHEC)	Philippines	Equipment rental	Philippine peso	40.00	40.00
BEO Distribution and Marketing Corporation (BEO DMC)	Philippines	Distribution and marketing	Philippine peso	30.00	30.00
Shimizu-Fujita-Takenaka-EEI Joint Venture (SFTE)	Philippines	Construction	Philippine peso	5.00	5.00
Acciona-EEI Joint Venture (AE)	Philippines	Construction	Philippine peso	30.00	30.00
DL E&C-EEI-HEC Joint Venture (DEH)	Philippines	Construction	Philippine peso	20.00	20.00
LOTTE-GULERMAK-EEI Joint Venture (LGE)	Philippines	Construction	Philippine peso	25.00	25.00

(a) In 2022, the parent Company's indirect investment in PGEC, a subsidiary of PERC was reduced from 10% to 8.55% due to sale of shares to Kyuden International Corporation (KIC). In 2023, PGEC applied for increase in authorized capital stock, which was subscribed and issued to KIC, this further reduced the Group's indirect investment in PGEC from 8.55% to 7.50%.

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.

Fully depreciated property and equipment are retained in the accounts until they are no longer in use and no further depreciation and amortization are credited to or charged against current operations.

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. Decreases in valuation is charged to profit or loss, except to the extent that it reverses the existing accumulated revaluation increment on the same asset and therefore such decrease is recognized in OCI. The decrease recognized in OCI reduces the revaluation increment on land - net account in equity. In case a subsequent revaluation increase of an asset reverses a revaluation decrease previously recognized in profit or loss, such increase is credited to income in profit or loss.

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.

Investment Properties

Investment properties are measured at cost less 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.

Except for land, depreciation is computed using the straight-line method over the following average EUL:

	Years
Building	32.5
Other equipment	12.5

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.

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 and commencement of an operating lease to another party. 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.

For a transfer from owner-occupied property to investment property, the deemed cost for subsequent accounting is the fair value at the date of change in use. Upon transfer of an asset accounted for under revaluation model to asset accounted for under cost model, any revaluation reserve relating to such particular asset is transferred to retained earnings.

Impairment of Nonfinancial Assets

For Investments in associate and joint venture, Property and equipment, Right-of-use asset and Investment properties, 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 asset's 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.

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 and 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.

Intangible Assets Other Than Goodwill

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Subsequently, intangible assets are measured at cost less accumulated amortization and provision for impairment loss, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the consolidated statement of income in the year in which the expenditure is incurred.

The estimated useful life of intangible assets is assessed as either finite or indefinite. The estimated useful lives of intangible assets are as follows:

	Number of Years
Intellectual property rights	Indefinite
Student relationship	5-7

The estimated useful lives of intangible assets with finite lives are assessed at the individual asset level. Intangible assets with finite lives are amortized over their estimated useful lives on a straight-line basis. Periods and method of amortization for intangible assets with finite useful lives are reviewed annually or earlier when an indicator of impairment exists.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of comprehensive income in the expense category consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the CGU level. The assessment of indefinite useful life is reviewed annually to determine whether the indefinite useful life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

A gain or loss arising from derecognition of an intangible asset is measured as the difference between the net disposal proceeds and the carrying amount of the intangible assets and is recognized in the consolidated statement of comprehensive income when the intangible asset is derecognized.

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 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 of 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 Parent Company 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 attributable to ordinary equity holders of the Parent Company to reflect any changes from dilutive potential shares divided 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 and adjusted for the effects of all dilutive potential common stock.

The calculation of diluted EPS does not assume conversion, redemption, exercise, or other issue of potential ordinary shares that would have an antidilutive effect on earnings per share. Potential ordinary shares are antidilutive when their conversion to ordinary shares would increase earnings per share or decrease loss per share. As there are no potential dilutive ordinary shares, basic and diluted EPS are stated at the same amount.

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 34.

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.

Treasury Shares

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.

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.

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 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.

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.

Determination of sale and leaseback transaction as true sale or financing transaction - Group as lessee

The Group determines whether the transfer of assets qualifies as a sale by referring to the requirements for satisfying performance obligations under PFRS 15. The sale and leaseback transactions are considered as a true sale if there is a transfer of control over the related asset. If the transfer is not a sale under PFRS 15 requirements, the Group accounts for the sale and leaseback as a financing transaction in accordance with PFRS 9. The Group assessed that the sale and leaseback transactions in 2022 qualify as a true sale.

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 (Note 23).

Recognition of schools and related operations fees over time

The Group determined that schools and related operations 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 March 31, 2023 and December 31, 2022, 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

Refer to Note 12 for details of the Group's investment in joint venture.

Estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at 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 described below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

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 ₱1.34 billion and ₱1.38 billion as of March 31, 2023 and December 31, 2022.

Estimating variable considerations arising from change orders and claims

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 Group also updates its estimate of the transaction price to reflect any changes in circumstances that would result to changes in amount of variable considerations and corresponding increase or decrease in the contract assets.

The aggregate carrying values of receivables and contract assets amounted to ₱15.29 billion and ₱14.62 billion as of March 31, 2023 and December 31, 2022, respectively (Notes 7 and 8).

Fair value measurement of unquoted equity investments at FVOCI

The Group uses valuation techniques such as adjusted net asset method to estimate the fair value of investment in Hermosa Ecozone Development Corporation (HEDC). These valuation techniques require significant unobservable inputs to calculate the fair value of the Group's unquoted equity investments at FVOCI. These inputs include 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. For the investment in HEDC, the valuation made by the appraisers was based on sales comparison approach. The effects of COVID-19 were reflected in the selling price of comparable listings of real estate properties and were not accounted for separately.

The fair value of unquoted equity investments amounted to ₱0.51 billion as of March 2023 and December 31, 2022, respectively (Note 11).

Provision for expected credit losses of trade receivables and contract assets

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, 2023 and December 31, 2022, the aggregate carrying values of Receivables and Contract assets are disclosed in Notes 7 and 8 of 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 14 and 16).

Valuation of land under revaluation basis

The Group's parcels 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 ₱9.88 as of March 31, 2023 and December 31, 2022, respectively.

Impairment of nonfinancial assets

The Group assesses impairment on its nonfinancial assets other than goodwill and intellectual property rights 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.

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 14.

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.

Details of impairment of Intellectual property rights and Student relationships are disclosed in Note 14. As to the Group's other nonfinancial assets, no impairment loss was recognized for the period ended March 31, 2023 and December 31, 2022.

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 ₱71.8 million and ₱93.34 million as of March 31, 2023 and December 31, 2022, respectively whereas retirement liabilities amounted to ₱211.7 million and ₱200.1 million as of March 31, 2023 and December 31, 2022, 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.

Deferred tax assets recognized and unrecognized by the Group are disclosed in Note 33 to the consolidated financial statements.

Classification of CWT

The Group classifies its CWT as current when it is expected to be realized (e.g., will be used as tax credit against income taxes due) for at least twelve months after the reporting period. The portion of CWT that is expected to be realized after twelve months after the reporting period is classified as noncurrent. In 2021, the Group classified CWT as non-current as management assessed that it will not be used as tax credits within the next twelve months.

CWT recognized by the Group are disclosed in Notes 10 and 16 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 17 and 32).

6. Cash and Cash Equivalents

This account consists of:

	Unaudited March 2023	Audited December 2022
Cash on hand and in banks	₱2,430,486,858	₱2,093,208,409
Cash equivalents	2,977,016,919	4,537,258,948
	₱5,407,503,777	₱6,630,467,357

Cash in banks earns interest at the prevailing bank deposit rates. Cash equivalents have terms with varying periods of up to three (3) months depending on the immediate cash requirements of the Group and earns annual interest at the respective rates.

Interest income from cash in banks and short-term investments amounted to ₱44.68 million, ₱7.86 million, and ₱0.81 million for the period ended March 31, 2023, 2022 and 2021, respectively (Note 24).

7. Receivables

This account consists of:

	Unaudited March 2023	Audited December 2022
Trade		
Construction and infrastructure	₱2,929,749,960	₱2,459,706,582
Education	1,427,039,422	1,472,085,613
Car dealership	609,709,481	575,277,366
Other services	170,181,561	141,001,981
Other receivables		
Loans to officers and employees	99,156,163	40,055,559
Receivables from car plant	22,292,524	11,040,734
Accrued referral incentives	20,492,924	16,228,561
Receivable from sale of investment properties	15,667,264	15,997,014
Receivable from customers	11,505,244	23,306,939
Dividends receivable	708	7,501,626
Others	45,031,116	49,173,492
	5,350,826,367	4,811,375,467
Less allowance for impairment	601,667,085	560,559,718
	₱4,749,159,282	₱4,250,815,749

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.

Receivables from education

Receivables from education represent amounts arising from tuition and other matriculation fees which are normally collected at end of every school term before the students can proceed to the next term. This also includes receivable from Department of Education amounting to ₱272.94 million

and ₱319.80 million as of March 31, 2023 and December 31, 2022, respectively, arising from the Senior High School (SHS) Voucher Program wherein qualified SHS students are given assistance on tuition fees. These receivables are noninterest-bearing and are generally collectible within one year.

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 March 31, 2023 and December 31, 2022.

Other receivables

Loans to officers and employees are interest-bearing and repaid on a monthly basis through salary deductions.

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 March 31, 2023 and December 31, 2022, receivable from customers amounted to ₱11.51 million and ₱23.31 million, respectively.

Receivables classified as "Others" consist of interest, commission, insurance and various receivables.

8. Contract Assets and Liabilities

Contract Assets

The Group presents contract receivables, change orders 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 ₱10.54 billion and ₱10.37 billion as of March 31, 2023 and December 31, 2022, respectively.

Details of the Group's contract assets as of March 31, 2023 and December 31, 2022 are shown below.

	2023		Total
	Current	Noncurrent	
Contract assets	₱7,414,977,841	₱3,153,814,860	₱10,568,792,700
Less: Allowance for expected credit losses	19,510,786	9,443,812	28,954,597
	₱7,395,467,055	₱3,144,371,048	₱10,539,838,103

	2022		Total
	Current	Noncurrent	
Contract assets	₱5,201,785,067	₱5,199,970,342	₱10,401,755,409
Less: Allowance for expected credit losses	19,510,785	9,443,812	28,954,597
	₱5,182,274,282	₱5,190,526,530	₱10,372,800,812

Contract Liabilities

Details of the Group's contract liabilities as of March 31, 2023 and December 31, 2022 are shown below.

	Unaudited March 2023	Audited December 2022
Total contract liabilities	₱1,681,448,578	₱2,214,035,517
Less current portion	1,152,253,349	1,387,334,090
	₱529,195,229	₱826,701,427

Contract liabilities from construction and infrastructure segment consist of down payments received in relation to construction contracts that will be recognized as revenue in the future as the Group satisfies its performance obligations.

Contract liabilities from education segment represent the unearned tuition fees and accounts payable to students and will be recognized as revenue when the related educational services are rendered. Contract liabilities related to the remaining performance obligations of the education segment are generally recognizable within one (1) year.

9. Inventories

This account consists of:

	Unaudited March 2023	Audited December 2022
Construction materials	₱766,405,116	₱721,551,074
Merchandise:		
Automotive units	463,872,722	295,774,798
Parts, service materials and accessories	130,421,971	114,029,054
Others	102,987,968	88,452,247
	697,282,661	498,256,099
Real estate:		
Land and land development	120,581,758	158,670,638
Raw lands	34,692,518	42,398,913
Subdivision lots and contracted units for sale	42,402,013	35,988,542
	197,676,289	237,058,093
Spare parts and supplies	103,527,961	88,819,064
	1,764,892,027	1,545,684,330
Less: Allowance for inventory obsolescence	43,656,744	43,656,744
	₱1,721,235,283	₱1,502,027,586

Merchandise includes food and beverages, bookstore inventory, among others.

Spare parts and supplies pertain to inventory items used in the repair and maintenance of the Group's property and equipment.

The summary of the movement in real estate inventories is set out below:

	Unaudited March 2023	Audited December 2022
Balance at beginning of year	₱237,058,093	₱235,940,298
Construction/development costs incurred	87,732	4,250,108
Cost of real estate sales (Note 25)	(39,469,536)	(3,132,313)
Balance at end of year	₱197,676,289	₱237,058,093

The total cost of goods sold recognized in the Group's statements of comprehensive income amounted to ₱1,316.0 million, ₱1,002.4 million and ₱950.6 million in 2023, 2022 and 2021 respectively (Note 25).

The Group recognizes inventory write-down whenever the NRV of the existing inventories is lower than its cost.

The rollforward of allowance for inventory obsolescence is as follows:

	Unaudited March 2023	Audited December 2022
Balance at beginning of year	₱43,656,744	₱75,778,306
Provision (Recoveries) (Note 29)	-	(14,301,872)
Write-off	-	(17,819,690)
Balance at end of year	₱43,656,744	₱43,656,744

In 2022, the Group reversed allowance for inventory obsolescence amounting to ₱14.30 million (nil in 2021) after the spare parts and supplies inventory were found to be still serviceable. These were consumed and recorded as part of cost of services in 2022.

No inventories were pledged as security to obligations as of March 31, 2023 and December 31, 2022.

10. Prepaid Expenses and Other Current Assets

This account consists of:

	Unaudited March 2023	Audited December 2022
Advances to suppliers and contractors	₱779,215,325	₱677,201,222
CWTs	569,006,137	538,908,901
Input VAT	372,995,156	179,180,977
Prepaid expenses	266,019,756	239,843,886
Miscellaneous deposits	146,373,633	145,760,576
Short-term investments	85,583,195	161,153,004
Advances to officers and employees	51,658,041	52,753,886
Prepaid taxes	33,637,341	30,490,161
Bid deposit	-	59,822,400
Others	84,857,138	102,527,137
	2,389,345,722	2,187,642,150
Less allowance for impairment	55,395,197	55,395,197
	₱2,333,950,525	₱2,132,246,953

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.

CWTs pertain to unutilized creditable withholding tax which will be used as tax credit against income taxes due. This will be used as tax credit against income taxes due. EEI determines that taxes withheld can be recovered in future periods. In 2021, the Group classified CWT as non-current as management assessed that it will not be used as tax credits within the next twelve months (Note 17). This is accounted for as a noncash operating activity in the 2021 consolidated statement of cash flows. CWTs classified as current in 2022 are assessed to be utilized in 2023.

Prepaid expenses mainly include prepayments for membership fees, subscriptions, rentals and insurance, among others.

Short-term investments earn interest at the prevailing investment rates and have maturity of less than one year. These include investments held for government and private entities for the purpose of undertaking socio-economic studies and development projects amounting to ₱40.19 million and ₱34.82 million as of December 31, 2022 and 2021, respectively.

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, various deposits, other supplies, among others.

11. Equity Investments at Fair Value through Other Comprehensive Income (FVOCI)

This account consists of:

	Unaudited March 2023	Audited December 2022
Quoted equity investments	₱140,119,965	₱136,503,716
Unquoted equity investments	514,138,317	514,138,317
	₱654,258,282	₱650,642,033

Movements in the fair value reserve recognized in other comprehensive income (net of tax effect) are as follows:

	Unaudited March 2023	Audited December 2022
Attributable to equity holders of the parent:		
Balance at beginning of year	₱111,000,523	₱67,330,660
Income (loss) recognized in OCI	4,375,336	43,999,863
Disposal	-	(330,000)
Balance at end of year	115,375,859	111,000,523
Non-controlling interests:		
Balance at beginning of year	324,284,048	321,570,569
Income recognized in OCI	369,540	2,713,479
Balance at end of year	324,653,588	324,284,048
	₱440,029,447	₱435,284,571

The Group elected to present the fair value changes of these 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 in HEDC is determined using the adjusted net asset approach wherein the assets of investee are adjusted from cost to their fair value

(Note 5). The valuation was performed by an independent SEC-accredited appraiser as of December 31, 2022.

In 2022, the Parent Company sold a golf share for total selling price of ₱1.20 million, resulting to a gain of ₱0.87 million (Note 24).

Dividends earned from equity investments at FVOCI amounted to ₱0.05 million, nil, and ₱1.88 million in 2023, 2022 and 2021, respectively (Note 24).

No equity investments at FVOCI were pledged as security to obligations as of March 31, 2023 and December 31, 2022.

12. Investments in Associates and Joint Venture

The rollforward analysis of this account follows:

	Unaudited March 2023	Audited December 2022
Acquisition cost:		
Balance at beginning of year	₱4,283,885,786	₱4,236,124,304
Additions	-	47,761,482
Conversion of Advances to ARCC	994,628,143	-
Balance at end of year	5,278,513,929	4,283,885,786
Accumulated impairment loss	74,536,609	74,536,609
Accumulated equity in net earnings:		
Balance at beginning of year	3,622,376,692	3,531,781,118
Equity in net earnings	(244,509,064)	425,036,868
Dividends received	(4,320,566)	(334,441,296)
Balance at end of year	3,373,547,061	3,622,376,690
Subtotal	8,577,524,382	7,831,725,867
Share in other comprehensive gain (loss) of an associate	38,528,464	106,387,771
Share of cumulative translation adjustment	324,893,986	365,209,541
	₱8,940,946,832	₱8,303,323,179

As of March 31, 2023 and December 31, 2022, 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 2023	Audited December 2022
Balance at beginning of year	₱9,875,430,378	₱8,291,619,850
Change in revaluation increment	-	1,783,465,628
Transfer to Retained earnings	-	(199,655,100)
	-	1,583,810,528
Balance at end of year	₱9,875,430,378	₱9,875,430,378

Land at revalued amounts consists of owner-occupied property wherein the school buildings, car dealership showroom, and other facilities are located.

Property and equipment at cost

The rollforward analysis of this account follows:

	Unaudited March 2023	Audited December 2022
At Cost		
Land, Buildings and Improvements	₱5,865,299,315	₱5,982,107,795
Machinery, Tools and Construction Equipment	5,191,452,457	5,283,860,417
Furniture, Fixtures and Office Equipment	1,269,016,613	1,270,060,624
Transportation and Service Equipment	4,192,760,100	3,740,323,144
	16,518,528,485	16,276,351,980
Less: Accumulated Depreciation	(10,295,200,641)	(10,078,634,136)
	6,223,327,844	6,197,717,844
Construction in Progress	1,311,240,906	1,028,093,608
Net book value at Cost	₱7,534,568,750	₱7,225,811,452

Construction in progress mainly includes the general cost of construction of the Group'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 2023	Audited December 2022
EEI Corporation and Subsidiaries	₱300,859,305	₱300,859,305
MESI	137,853,346	137,853,346
IPO	32,644,808	32,644,808
Business combination of IPO and AEI	13,472,260	13,472,260
	₱484,829,719	₱484,829,719

Goodwill of EEI and IPO

The Group performed impairment testing on goodwill arising from acquisition of EEI and IPO. For purposes of impairment testing, EEI and IPO are considered as the CGUs.

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, 2022 and 2021 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. In 2023, 2022 and 2021, Management assessed that the recoverable amount of the goodwill balances exceed their carrying values, thus, no impairment loss should be recognized.

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.

Goodwill of MESI

The goodwill recognized in the consolidated statement of financial position amounting P137.85 million as at December 31, 2022 and 2021 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.

The Group performed impairment testing on goodwill arising from acquisition of MESI wherein MESI was considered as the CGU.

In 2023, 2022 and 2021, Management assessed that the recoverable amount of the goodwill balances exceed their carrying values, thus, no impairment loss should be recognized.

Key assumptions used in the value in use (VIU) calculation

As at December 31, 2022 and 2021, 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 and revenue growth rates. Cash flow projections based on financial budgets approved by management covering a five-year period and considers the impact of the coronavirus pandemic, among others.
- Long-term growth rates (5.79% for 2022 and 4.84% for 2021). The Long-term growth rate is the expected growth rate in the education industry sector.
- Discount rate (14% for 2022 and 11% for 2021). 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 IPO'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.

In 2023, 2022 and 2021, Management assessed that no impairment loss should be recognized.

Goodwill arising from Business Combination

With the effectivity of the merger on May 2, 2019 between IPO and AC Education, Inc. (AEI), the wholly owned education arm of Ayala Corporation (AC), IPO became 48.18% owned by HI and 33.5% owned by AC.

As a result of the merger, IPO issued to AC an aggregate of 295,329,976 shares with par value of P1.0 per share for a total fair value of P3,591.21 million based on IPO's quoted closing rate per share as of May 2, 2019 in exchange for the transfer of the net assets of AEI. The excess of the fair value of shares issued over the par value was recognized as additional paid-in capital.

The IPO Group recognized the following intangible assets in 2019 as a result of the merger (amount in thousands):

Intellectual property rights	P523,103
Student relationship	116,009
Goodwill	13,472
	<hr/>
	P652,584

Intellectual property rights have infinite life and the student relationship have an estimated useful life of 5 years to 7 years based on the contractual relationship between the school entities and its students. These assets are attributed from the acquisition of operating schools NTC, APEC and UNC.

Intellectual Property Rights

As of December 31, 2022 and 2021, the Group performed impairment testing on intellectual property rights using the income approach (royalty relief method) wherein recoverable value is computed based on royalty savings.

Key assumptions used are as follows:

- Revenue projections and long-term growth rate (3% for 2022 and 2021). Revenue projections based on financial budgets approved by management and considers the impact of the coronavirus pandemic. The long-term growth rate is the expected growth rate in the education industry sector.
- Discount rates (16% to 17% for 2022 and 14% to 15% for 2021). 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 comparable listed companies in the educational sector.
- Royalty rates (1% to 6% for 2022 and 2021). This is based on the publicly available information on franchising of educational institutions in the Philippines, with consideration on the operational risk of the involved entity.

The IPO Group's impairment testing on intellectual property rights resulted to the recognition of ₱32.2 million impairment loss on APEC in 2022 (nil in 2021 and 2021) and presented as part of General and administrative expense in the consolidated statement of income. The carrying value of intellectual property rights as of March 31, 2023 and December 31, 2022 amounted to ₱490.9 million.

Student Relationship

The carrying value and movement of student relationship as of and for the year ended December 31 follows (amount in thousands):

	Unaudited March 2023	Audited December 2022
Cost from business combination	₱116,009	₱116,009
Accumulated amortization:		
Beginning balance	(105,250)	(72,248)
Amortization and impairment	(1,182)	(33,002)
Ending balance	(106,432)	(105,250)
Balance at end of the year	₱9,577	₱10,759

Amortization amounted to ₱1.2 million and ₱33.0 million in March 2023 and December 2022, respectively.

15. Investment Properties

The rollforward analysis of this account follows:

	Unaudited March 2023			Total
	Land	Building and building improvements	Machinery and equipment	
Cost				
Balance at beginning of year	₱5,321,546,713	₱2,624,140,525	₱187,409,475	₱8,133,096,713
Acquisitions	74,478,880	-	-	74,478,880
Disposals	-	-	-	(420,500)
Balance at end of year	5,396,025,593	2,624,140,525	187,409,475	8,207,996,093

Unaudited March 2023

	Land	Building and building improvements	Machinery and equipment	Total
Accumulated Depreciation				
Balance at beginning of year	–	20,185,696	3,748,190	23,933,886
Depreciation	–	20,185,696	3,748,190	23,933,886
Balance at end of year	–	40,371,393	7,496,379	47,867,772
Net Book Value	₱5,396,025,593	₱2,583,769,132	₱179,913,096	₱8,159,707,821

Audited December 2022

	Land	Building and building improvements	Machinery and equipment	Total
Cost				
Balance at beginning of year	₱1,977,542,213	₱–	₱–	₱1,977,542,213
Acquisitions	3,344,425,000	2,624,140,525	187,409,475	6,155,975,000
Disposals	(420,500)	–	–	(420,500)
Balance at end of year	5,321,546,713	2,624,140,525	187,409,475	8,133,096,713
Accumulated Depreciation				
Balance at beginning of year	–	–	–	–
Depreciation	–	20,185,696	3,748,190	23,933,886
Balance at end of year	–	20,185,696	3,748,190	23,933,886
Net Book Value	₱5,321,546,713	₱2,603,954,829	₱183,661,285	₱8,109,162,827

Land classified as investment properties include the following:

- Parcel of land located in Makati owned by SLRHSI with the carrying value of ₱1,763.30 million.
- Other parcels of land owned by EEI located in Benguet, Cavite, Nueva Ecija, and Bulacan with carrying values of ₱6.6 million, ₱0.5 million, ₱0.2 million, and ₱7.0 million, respectively, as of December 31, 2022. Carrying values of parcels of land located in Benguet, Cavite, Nueva Ecija, Bulacan and memorial lots in Las Piñas were ₱6.6 million, ₱0.5 million, ₱0.2 million, ₱7.0 million and ₱0.2 million, respectively, as of December 31, 2022.
- Heritage lots held for capital appreciation of the Parent Company amounted to ₱1.7 million and ₱2.0 million as of December 31, 2022 and 2021, respectively.

Additions pertain to parcel of land, building and building improvements and machinery and equipment situated in Taguig City owned by ATYC with carrying value of ₱6,132.04 million, which was acquired by the Parent Company in 2022.

Depreciation expense recognized on Investment properties in 2022 amounted to ₱23.93 million is accounted for under of Cost of services in the consolidated statement of income (Note 27).

In 2022 and 2021, the Group sold parcels of land located in various locations for ₱2.44 million and ₱0.1 million, respectively. The Group recognized a gain of ₱2.05 million and ₱0.01 million in 2022 and 2021, respectively in relation to the sale.

As of December 31, 2022, the aggregate fair values of Investment properties amounted to ₱10.05 billion, which was determined based on valuation performed by an independent SEC accredited

appraiser in 2022. 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).

None of the investment properties were pledged as a security to obligations as of March 31, 2023 and December 31, 2022.

16. Other Noncurrent Assets

This account consists of:

	Unaudited March 2023	Audited December 2022
Loans receivable	₱1,200,000,000	₱1,200,000,000
CWT - net of current portion	895,643,879	857,168,028
Intellectual property rights	490,882,064	490,882,064
Miscellaneous deposit	41,145,166	40,721,209
Computer software	39,006,374	31,456,026
Deferred input VAT	26,300,358	26,982,216
Student relationship (Note 15)	9,577,364	10,759,086
Others	184,265,226	152,748,155
	₱2,886,820,431	₱2,810,716,784

In December 2022, the Group, thru EEI entered into an agreement with EEI-RFI granting a loan amounting to ₱1.20 billion to the latter. The loan is to be paid in 10 annual installments commencing in 2025 with annual interest rate of 5%.

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.

As of March 31, 2023, the average remaining useful of the computer software is 1 to 2 years.

Rollforward of computer software follows:

	Unaudited March 2023	Audited December 2022
Cost		
Balance at beginning of year	₱181,358,988	₱163,955,660
Additions	9,574,436	17,403,328
Reclassification	-	-
Balance at end of year	190,933,424	181,358,988
Accumulated Amortization		
Balance at beginning of year	149,902,962	136,618,746
Amortization (Note 30)	2,024,088	13,284,216
Balance at end of year	151,927,050	149,902,962
Net Book Value	₱39,006,374	₱31,456,026

17. Accounts Payable and Other Current Liabilities

This account consists of:

	Unaudited March 2023	Audited December 2022
Accounts payable	₱5,952,846,544	₱5,669,425,919
Accrued expenses	486,900,306	256,799,240
Deferred output taxes	368,281,085	305,215,529
Output tax payable	312,653,392	292,171,632
Provisions (Note 35)	169,749,510	168,717,150
Withholding taxes and others	135,616,360	174,456,359
Dividends payable	128,969,694	26,153,938
SSS and other contributions	60,011,920	57,141,763
Chattel mortgage payable	9,674,110	8,986,234
Payable to Land Transportation Office	5,245,698	4,180,525
Subscriptions payable	3,750,040	34,687,540
Deferred income	2,663,589	2,663,589
Others	56,124,253	23,010,333
	₱7,692,486,501	₱7,023,609,751

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 accrual for salaries, professional fees, security and outside services, utilities, insurance, interest 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.

18. Loans Payable

This account consists of:

	Unaudited March 2023	Audited December 2022
Unsecured bank loans	₱10,082,000,000	₱8,217,000,000
Secured bank loans	-	-
	₱10,082,000,000	₱8,217,000,000

Unsecured

Unsecured bank loans are obtained from local banks and related party financial institutions with annual interest rates ranging from 4.625% to 6.5% and 2.50% to 5.50% in 2023 and 2022, respectively.

19. Long-term Debt

This account consists of:

	Unaudited March 2023	Audited December 2022
Fixed-rate corporate promissory notes	₱6,231,657,175	₱7,016,954,132
Fixed-rate term loan	2,003,917,278	2,014,569,147
	8,235,574,453	9,031,523,279
Less: Current portion of long-term debt	2,881,336,674	3,218,142,674
Reclassification to current liability of secured loan		1,496,622,385
	2,881,336,674	4,714,765,059
	₱5,354,237,779	₱4,316,758,220

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. In 2021, the loan was fully settled.

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. The loan was fully paid in 2021.

On June 15, 2015, the Group through EEI received ₱1,000.0 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. The loan was fully paid on March 31, 2021.

On May 23, 2018, the Group through EEI received ₱2,000.0 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 through EEI received ₱909.0 million proceeds from the issuance of an unsecured fixed-rate corporate promissory note to a local bank that bears annual interest of 3.9%. 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. The loan was fully paid in November 11, 2022.

On October 15, 2021, the Group through EEI received ₱3,000.0 million proceeds from the issuance of an unsecured fixed-rate corporate promissory note to a local bank that bears annual interest of 3.5%. The promissory note matures within three (3) years from the date of issuance.

On November 23, 2021, the Group through EEI received ₱1,000.0 million proceeds from the issuance of an unsecured fixed-rate corporate promissory note to a local bank that bears annual interest of 3.3%. The promissory note matures within three (3) years from the date of issuance.

On March 22, 2021, the Group through EEI received ₱1,500.0 million proceeds from the issuance of an unsecured fixed-rate corporate promissory note to a local bank that bears annual interest of 4.5%. The promissory note matures within three (3) years from the date of issuance.

On October 7, 2021, the Group through EEI received ₱2,500.0 million proceeds from the issuance of an unsecured fixed-rate corporate promissory note to a local bank that bears annual interest of 4.8%. The promissory note matures within three (3) years from the date of issuance.

On December 3, 2021, the Group through EEI received ₱1,500.0 million proceeds from the issuance of an unsecured fixed-rate corporate promissory note to a local bank that bears annual interest of 3.4%. 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.

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. The loan was prepaid in 2021.

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 0.05%. 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 0.30%. The loan is payable in equal semi-annual installments and will mature on September 13, 2030.

On April 24, 2021, BiotechJP availed an unsecured ₱21.8 million long-term loan from a foreign bank that bears an annual interest based from floating rate. In absence of quotations, if the then-current Floating Rate is USD LIBOR and no rate is quoted pursuant to the definition of USD LIBOR on any Quotation Date, the applicable Floating Rate shall be the average (rounded upwards, if necessary, to the nearest one-sixteenth of one per cent (1/16%)) of the rates per annum. The loan is payable in 18 equal semi-annual installments and will mature on September 13, 2030.

On September 25, 2021, BiotechJP availed an unsecured ₱92.3 million long-term loan from Biotech Japan Corporation that bears an annual interest of 3.0%. The loan is payable in equal semi-annual installments and will mature on March 31, 2030.

IPO

IPO, through NTC, entered into a 10-year unsecured term loan facility with a third party local bank for ₱650.0 million to finance its building refurbishment and/or expansion. The principal payments will be made in 28 quarterly payments starting May 2022. As of December 30, 2021, total drawdown from the long-term loan facility amounted to ₱380 million. The ₱300 million is subject to 5.5% fixed rate and the ₱80 million is subject to annual repricing based on higher of 5.5% 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. In March 2022, the ₱80 million is converted to a 5.5% fixed rate.

The loan is subject to certain covenants including maintaining a maximum debt-to-equity structure ratio of 3:1. As of December 31, 2022 and 2021, NTC has complied with its covenant obligations, including maintaining the required debt-to-equity ratio.

In 2019, the IPO Group, through MCMI, entered into a ten-year secured long-term loan agreement with a local bank for ₱1,500.0 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 ₱680.0 million, ₱350.0 million and ₱470.0 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 with carrying value of ₱2,385.0 million and ₱2,382.0 million as of December 31, 2022 and 2021, respectively, and suretyship of MESI. The loans were subject to certain positive and negative covenants such as the requirement for MCMI 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 of January 2019.

In April 2022, MCMI requested the bank to waive the compliance in D:E ratio requirement in 2022. In February 2023, the bank confirmed in writing the approval of the non-declaration of MCMI in default for not meeting the required financial covenant for D:E ratio for as long as MCMI continues to follow the existing payment term/schedule and other terms and conditions stipulated in the loan agreement.

As of December 31, 2022, the D:E ratio of 77:23 did not meet the required D:E ratio. Hence, MCMI classified the loan from bank amounting to ₱1.5 billion as current liability. The loans were reclassified from noncurrent to current because the letter from the bank was issued after December 31, 2022. Although the loans are classified as current as of December 31, 2022, it will remain long-term based on the terms of the loan agreement and will not be paid in the next twelve months. The long-term loans were only classified under current liability on December 31, 2022 to comply with Philippine Financial Reporting Standards (PFRS). After meeting the PRFS requirements, the long-term loans were reclassified and fairly presented as non-current liability on March 31, 2023.

ATYC

On September 29, 2022, the Company received ₱2.4 billion proceeds from the issuance of promissory note to RCBC that bears annual interest of 6.04%. The promissory note matures within three (3) years from the date of issuance.

The aforementioned loans require the Group to maintain certain financial ratios such as debt to equity ratio, current ratio and debt service coverage ratio calculated based on stipulation with the lender banks. As of March 31, 2023, the Group was in compliance with all other loan covenants.

20. Retained Earnings

On April 12, 2023, the Parent Company's BOD approved additional appropriation of retained earnings amounting to ₱0.5 billion, for planned investments and business expansion that the Parent Company intends to carry out for the next 2-3 years.

On December 31, 2021, the Parent Company's BOD approved appropriation of retained earnings amounting to ₱3.5 billion, for planned investments and business expansion that the Parent Company

intends to carry out for the next 2-3 years. On the same date, the Parent Company approved the reversal of ₱2.5 billion appropriations made in 2019 and 2018 following the completion of its previous planned investment and business expansion.

On March 30, 2021, 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, 2021, payable on May 20, 2021.

Retained earnings include ₱4,970.8 million and ₱4,831.3 million as of March 31, 2023 and December 31, 2022, 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 ₱1,452.20 million and ₱1,419.74 million as of March 31, 2023 and December 31, 2022, 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 ₱7,470.99 million and ₱7,365.54 million as of March 31, 2023 and December 31, 2022, respectively, not declared as dividends to the Group. Accordingly, these are not available for dividend declaration.

21. Capital Stock

Preferred stock

The authorized preferred stock is 2,500,000,000 shares at ₱0.40 par value.

No preferred shares were issued and outstanding as of March 31, 2023 and December 31, 2022.

In 2021, 16,776,001 preferred shares were redeemed and carried at ₱0.40 par value as treasury shares.

Common stock

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, 2022, 2021 and 2021 follows:

	2023		2022		2021	
	Amount	Shares	Amount	Shares	Shares	Shares
Balance at beginning of year	₱1,162,540,326	776,465,281	₱1,162,540,326	776,465,281	₱1,165,147,926	776,765,281
Conversion of preferred stock	-	-	-	-	-	-
Balance at end of year	1,165,147,926	776,765,281	1,165,147,926	776,765,281	1,165,147,926	776,765,281
Treasury stock	(2,607,600)	(300,000)	(2,607,600)	(300,000)	(2,607,600)	(300,000)
	₱1,162,540,326	776,465,281	₱1,162,540,326	776,465,281	₱1,162,540,326	776,465,281

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, 2021	₱6,710,402	₱0.40	April 27, 2021	May 20, 2021
April 6, 2018	₱6,343,953	₱0.40	May 3, 2018	May 30, 2018

March 31, 2017	P7,020,070	P0.40	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
P27,044,711				
March 31, 2016	P7,768,247	P0.40	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
P29,927,049				

On March 30, 2021, after the declaration of cash dividends, the BOD approved the redemption of 16,766,001 preferred shares at par value with a total amount of P6.71 million to the stockholders of the Parent Company's preferred shares on record as of April 27, 2021, payable on May 20, 2021.

In 2019 and prior years, 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;
 - 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 P1.50 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, 2023:

Year	Number of shares registered	Number of holders of securities
Preferred shares:		
January 1, 2021	-	-
Movement	-	-
December 31, 2021	-	-
Movement	-	-
December 31, 2022	-	-
Movement	-	-
March 31, 2023	-	-
Common Shares:		
January 1, 2021	776,465,281	384
Movement	-	-
December 31, 2021	776,465,281	384
Movement	-	(7)
December 31, 2022	776,465,281	377
Movement	-	(2)
March 31, 2023	776,465,281	375

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 numbers of shares initially listed were

584,085 at an offer price of ₱10.0 per share. Total number of preferred and common shareholders was nil and 375, respectively, as of March 31, 2023 and nil and 377, respectively, as of December 31, 2022.

22. Earnings Per Share

Basic and diluted earnings (loss) per share amounts attributable to equity holders of the Group are computed as follows:

Basic earnings (loss) per share

	January 1 to March 31		
	2023	2022	2021
Net income (loss)	(₱8,018,156)	₱373,883,269	₱319,255,301
Less dividends attributable to preferred shares	99,683,625	99,683,625	86,529
Net income (loss) applicable to common shares	(107,701,781)	274,199,644	319,168,772
Divided by the weighted average number of common shares	776,465,281	776,465,281	776,465,281
Basic earnings (loss) per share	(₱0.1387)	₱0.3531	₱0.4111

Diluted earnings (loss) per share

	January 1 to March 31		
	2023	2022	2021
Net income (loss) applicable common share for basic earnings per share	(₱107,701,781)	₱274,199,644	₱319,168,772
Net income (loss) applicable to common stockholders for diluted earnings per share	(₱107,701,781)	₱274,199,644	₱319,168,772
Weighted average number of shares of common stock	776,465,281	776,465,281	776,465,281
Weighted average number of shares of common stock for diluted earnings per share	776,465,281	776,465,281	776,465,281
Diluted earnings (loss) per share	(₱0.1387)	₱0.3531	₱0.4111

23. Revenue from Contracts with Customers

Set out below is the disaggregation of the Group's revenue from contracts with customers for the period ended March 31:

	January 1 to March 31		
	2023	2022	2021
Construction contracts	₱3,381,331,514	₱2,772,867,277	₱3,358,699,031
Sales of goods	1,389,467,582	1,065,379,267	1,014,226,036
Schools and related operations	1,073,364,032	870,501,961	803,005,470
Others	863,419,575	572,577,583	464,793,622
	₱6,707,582,703	₱5,281,326,088	₱5,640,724,159

24. Other Income - Net

This account consists of:

	January 1 to March 31		
	2023	2022	2021
Gain on sale of assets (Notes 13 and 16)	P-	P6,638,075	P2,824,744
Interest income (Notes 6 and 7)	60,384,590	22,878,646	4,052,585
Foreign exchange gain	(661,835)	6,566,009	19,527,939
Space and car rental	4,365,013	7,345,802	-
Dividend income (Note 11)	51,700	-	1,882,633
Rental income	5,520,168	1,275,939	2,206,365
Miscellaneous	2,087,206	221,658	12,330,340
	P71,746,842	P44,926,129	P42,824,606

Interest income consists of income from:

	January 1 to March 31		
	2023	2022	2021
Cash and cash equivalents (Note 6)	P44,680,812	P7,860,869	P814,986
Installment contract receivable (Note 7)	15,534,285	1,222,926	
Receivable from EEI-RFI (Notes 7, 17 and 22)	-	342,262	3,237,599
Others	169,493	13,452,589	
	P60,384,590	P22,878,646	P4,052,585

Miscellaneous include income from sale of sludge and used oil, rebate from purchase of fuel, commission income, income from reversal of impairment, among others.

25. Costs of Sales and Services

This account consists of:

	January 1 to March 31		
	2023	2022	2021
Cost of services (Note 27)			
Cost of construction contracts	P3,007,779,080	P2,417,911,945	P2,932,474,497
Cost of manpower and other services	657,716,659	369,599,272	291,625,618
	3,665,495,739	2,787,511,217	3,224,100,115
Cost of goods sold			
Cost of merchandise sold (Notes 9 and 26)	1,315,037,941	1,002,409,027	948,923,905
Cost of real estate sold (Note 9)	934,757		1,628,468
	1,315,972,698	1,002,409,027	950,552,373
Cost of tuition and other fees (Note 28)	575,797,412	476,674,876	446,316,984
	P5,557,265,849	P4,266,595,120	P4,620,969,472

26. Cost of Merchandise Sold

This account consists of (Notes 9 and 25):

	January 1 to March 31		
	2023	2022	2021
Inventory, beginning	₱1,358,125,390	₱1,932,875,102	₱2,407,832,777
Purchases	1,721,804,579	424,463,643	464,700,246
Total goods available for sale	3,079,929,969	2,357,338,745	2,872,533,023
Less inventory end	1,764,892,028	1,358,125,390	1,932,875,102
Cost of inventories sold	1,315,037,941	999,213,355	939,657,921
Personnel expenses	-	2,058,487	5,957,078
Others	-	1,137,185	3,308,906
	₱1,315,037,941	₱1,002,409,027	₱948,923,905

27. Cost of Services

This account consists of (Notes 9 and 25):

	January 1 to March 31		
	2023	2022	2021
Cost of construction contracts (Note 25)			
Labor	₱1,374,076,257	₱1,148,467,400	₱942,977,761
Materials	772,441,185	595,371,755	1,045,227,558
Equipment costs and others	770,905,150	579,322,552	824,759,616
Depreciation and amortization	90,356,489	94,750,238	119,509,563
	3,007,779,081	2,417,911,945	2,932,474,498
Cost of manpower and other services (Note 25)			
Personnel expenses	507,277,483	248,605,610	171,869,687
Materials	60,386,284	55,873,312	59,792,175
Power-related services	57,921,494	35,511,453	24,357,882
Depreciation and amortization	29,862,669	832,670	1,913,236
Parts, accessories and others	2,268,728	28,776,227	33,692,637
	657,716,658	369,599,272	291,625,617
	₱3,665,495,739	₱2,787,511,217	₱3,224,100,115

28. Cost of Tuition and Other Fees

This amount consists of:

	January 1 to March 31		
	2023	2022	2021
Personnel expenses	₱279,481,062	₱250,759,082	₱239,159,289
Depreciation and amortization (Notes 13 and 14)	87,364,312	81,895,458	84,439,966
Periodicals	33,929,556	26,614,878	23,518,645
IT expense - software license	33,711,402	15,715,276	14,739,679
Student-related expenses	33,609,247	23,750,834	20,760,384
Management and other professional fees	28,453,149	23,942,124	19,358,232
Utilities	27,313,206	13,379,151	11,261,816
Accreditation cost	₱8,376,121	₱5,855,606	₱571,322
Research and development fund	7,934,313	3,211,197	5,371,427
Repairs and maintenance	6,693,635	12,279,944	5,371,605
Taxes and licenses	6,023,760	4,828,836	3,939,816
Tools and library books (Note 13)	5,595,544	2,679,612	1,504,494
Advertising	4,794,839	4,278,881	1,782,479
Insurance	3,426,995	3,925,229	1,919,587
Transportation and travel	2,164,413	124,883	187,717
Rent	1,740,291	43,250	8,258,114
Office supplies	1,223,797	643,571	799,311
Laboratory supplies	1,057,409	689,912	315,597
Seminar	942,615	858,680	1,674,827
Entertainment, amusement and recreation	434,825	221,194	277,182
Miscellaneous	1,526,921	977,278	1,105,495
	₱575,797,412	₱476,674,876	₱446,316,984

29. General and Administrative Expenses

This account consists of:

	January 1 to March 31		
	2023	2022	2021
Personnel expenses	₱304,899,501	₱301,120,701	₱308,186,874
Depreciation and amortization (Notes 13, 14, 17 and 30)	89,030,006	85,744,959	91,905,788
Taxes and licenses	45,484,117	31,310,187	29,087,371
Security, janitorial and other services	38,209,027	18,252,943	17,301,214
Advertising and promotions	35,438,685	28,752,502	16,310,052
Rent, light and water	26,837,557	30,309,915	26,149,514
Management and other fees	25,833,859	23,886,270	34,108,140
Transportation and travel	21,927,617	20,851,824	17,042,346
Selling expenses	16,079,453	2,232,124	6,084,647
Entertainment, amusement and recreation	11,426,748	4,799,381	3,716,941
Commissions	10,649,074	10,243,559	8,418,975
Professional fees	9,016,996	8,585,678	8,054,533
Repairs and maintenance	8,743,131	22,975,504	25,299,025
Provision for probable losses	6,440,117	5,259,957	7,769,475
Seminars	5,931,815	15,798,516	3,658,507
Insurance	5,849,887	6,285,364	7,392,558
Office expenses	4,751,661	2,162,196	4,451,513
Donations and contributions	191,542	492,536	18,009
Miscellaneous	71,535,636	60,481,080	70,659,454
	₱738,276,429	₱679,545,196	₱685,614,936

Miscellaneous expense includes dues and subscriptions, periodicals, training and seminar, bank charges, legal and notarial fees, other contracted services and other admin charges.

30. Depreciation and Amortization

This account consists of depreciation and amortization included in Notes 13, 14 and 17:

	January 1 to March 31		
	2023	2022	2021
Cost of sales and services			
Construction contracts (Note 27)	₱90,356,489	₱94,750,238	₱119,509,563
Tuition and other fees (Note 28)	87,364,312	81,895,458	84,439,966
Manpower and other services (Note 27)	29,862,669	832,671	1,913,236
	207,583,470	177,478,367	205,862,765
General and administrative expenses (Note 29)	89,030,006	85,744,959	91,905,788
	₱296,613,476	₱263,223,326	₱297,768,553

31. Interest and Finance Charges

The Group's interest and finance charges consist of interest on the following:

	January 1 to March 31		
	2023	2022	2021
Long-term debt (Note 19)	₱148,328,580	₱96,819,793	₱60,219,192
Loans payable (short-term) (Note 18)	154,239,938	40,124,524	116,430,161
Lease liabilities	23,096,007	19,409,791	14,026,025
	₱325,664,525	₱156,354,108	₱190,675,378

32. Contingencies and Commitments

Provisions and Contingencies

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.

33. Non-controlling Interests

Material Partly-Owned Subsidiaries

SLRHSI

In February 2022, the Parent Company sold 1,612,759 common shares representing 14.64% ownership of SLRHSI to Sojitz Corporation. Further, on November 15, 2022, Sojitz Corporation subscribed and paid for additional authorized capital stock applied for by SLRHSI. Accordingly, the ownership stake of the Parent Company decreased from 100% to 60%.

HCI

In July 2021, the Parent Company purchased additional 27,000,000 HCI shares for ₱9.18 million or 0.34 per share resulting to an increase in ownership interest from 55.00% to 100.00%. The non-controlling interest decreased from 45.00% to 0.00%.

EEI

On December 23, 2021, EEI issued and listed in the PSE non-convertible preferred shares generating net proceeds of ₱5.96 billion. Cumulative dividends in arrears on preferred shares as at December 31, 2022 and 2021 amounted to ₱229.05 million and ₱6.55 million, respectively.

As of December 31, 2022 and 2021, the Parent Company holds 55.34% ownership stake in EEI while the non-controlling interest is at 44.66%.

IPO

In May 2019, the Parent Company sold the 281,642 shares of 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 Company'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.

LFPSI

As of December 31, 2022 and 2021, the Parent Company's effective ownership including its indirect ownership through MMPC is 63.00%. 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 is 27.00%.

The Group recognized equity reserve from the changes in ownership amounting to an increase and a decrease of ₱333.59 million and ₱24.58 million in 2022 and 2021, respectively. This was included in "Equity reserve" representing the excess consideration paid for the carrying amount of the non-controlling interest.

34. 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-related activities, steel fabrication, real estate and others.

Property and Property Services- represents property leasing activities from ATYC and project management services of the Group.

Education - primarily consists of revenues from IPO and subsidiaries in education and other related support services.

Car Business - 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 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.

House of Investments Inc. and Subsidiaries
Unaudited Operating Segment
For the Quarters Ended March 31, 2023 and 2022

	Construction and Infrastructure		Cars Business		Education		Property and Property Services		Others		Eliminations		Consolidated	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Revenues	3,974,492	3,158,861	1,485,583	1,156,495	1,073,364	870,502	257,728	65,864	211,015	207,161	(294,599)	(177,558)	6,707,583	5,281,326
Net Income (Loss)	(444,287)	209,136	(5,967)	25,730	247,790	196,539	75,592	44,800	210,694	568,311	(149,770)	(471,926)	(65,947)	572,590
Other Information														
Segment Assets	29,431,523	28,974,117	3,436,771	3,115,752	17,915,642	17,701,492	10,257,198	10,538,213	8,623,329	8,392,424	(3,518,792)	(3,495,173)	66,145,671	65,226,825
Segment Liabilities	16,587,995	15,557,350	1,828,072	1,518,893	5,126,064	4,961,294	5,415,938	5,740,703	2,090,450	1,968,377	(459,589)	(384,174)	30,588,930	29,362,442
Investments in Associates	3,786,562	3,189,929	-	-	-	-	6,750	6,750	7,134,157	7,134,157	(1,986,522)	(2,027,513)	8,940,947	8,303,323
Investments Properties	52,385	14,296	-	-	-	-	8,105,563	8,093,107	1,760	1,760			8,159,708	8,109,163

HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES
SUPPLEMENTARY INFORMATION AND DISCLOSURES REQUIRED ON
REVISED SRC RULE 68
MARCH 31, 2023

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 Group is not required to disclose the financial assets in equity securities as the equity investments at fair value through other comprehensive income (FVOCI) amounting ₱654.26 million do not constitute 5% or more of the total noncurrent assets of the Group as at March 31, 2023.

Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (other than related parties)

As at March 31, 2023, the Group has no receivable above ₱1 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 March 31, 2023:

Name and designation of debtor	Balance at beginning of period	Additions	Amounts Collected	Amounts written-off	Balance at end of period
<i>Landev Corporation</i>					
Due from affiliates	4,307,691	1,097,600	(4,867,524)		537,766
Dividends receivable	47,999,940		(24,000,000)		23,999,940
	52,307,631	1,097,600	(28,867,524)	-	24,537,706
<i>Greyhounds Security and Investigation Agency Corporation</i>					
Due from affiliates	1,716,504	33,600	(959,788)		790,316
Dividend receivable	-		-		-
	1,716,504	33,600	(959,788)	-	790,316
<i>Investment Managers, Inc.</i>					
Due from affiliates	5,066,212	504,000	(271,833)		5,298,379
Dividend receivable	-		-		-
	5,066,212	504,000	(271,833)	-	5,298,379
<i>iPeople, inc. and subsidiaries</i>					
Due from affiliates	24,132,248		(15,148,765)		8,983,484
Dividend receivable	-	95,593,946	-		95,593,946
	24,132,248	95,593,946	(15,148,765)	-	104,577,429

Name and designation of debtor	Balance at beginning of period	Additions	Amounts Collected	Amounts written-off	Balance at end of period
<i>EEI Corporation and subsidiaries</i>					
Due from affiliates	1,897,741	1,746,000	(3,056,000)		587,741
Dividend receivable	-			-	-
	1,897,741	1,746,000	(3,056,000)	-	587,741
<i>La Funeraria Paz Sucat, Inc.</i>					
Due from affiliates	1,743,419	1,325,475	(2,309,524)		759,370
Dividend receivable	-			-	-
	1,743,419	1,325,475	(2,309,524)	-	759,370
<i>Xamdu Motors, Inc.</i>					
Due from affiliates	-	726			726
Due to affiliates	-			-	-
	-	726		-	726
<i>San Lorenzo Ruiz Investment Holdings</i>					
Due from affiliates	796,036	1,980,000	(2,112,188)		663,848
Dividend receivable				-	-
	796,036	1,980,000	(2,112,188)	-	663,848
<i>Secon Professional</i>					
Due from affiliates	43,214		(43,214)		-
Dividend receivable				-	-
	43,214	-	(43,214)	-	-
<i>ATYC, Inc.</i>					
Due from affiliates	6,039,360	2,853,000	(7,187,314)		1,705,047
Dividend receivable				-	-
	6,039,360	2,853,000	(7,187,314)	-	1,705,047
<i>Honda Cars Kalookan</i>					
Due from affiliates	1,085,003				1,085,003
Dividend receivable				-	-
	1,085,003	-		-	1,085,003

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, 2023, 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, IPO, and MESI. Details of the Group's intangible assets are as follows:

Description	Balance at beginning of year	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)	Balance at end of year
Goodwill	P484,829,719	P-	P-	P-	P-	P484,829,719
Intellectual property rights	490,882,064	-	-	-	-	490,882,064
Student relationship	10,759,086	-	(1,181,722)	-	-	9,577,364
Computer software	31,456,026	9,574,436	(2,024,088)	-	-	39,006,374
	P1,017,926,895	P9,574,436	(3,205,810)	P-	P-	P1,024,295,521

Schedule E. Long-term Debt

Below is the schedule of long-term debt of the Group:

<u>Type of Obligation</u>	<u>Amount</u>	<u>Current</u>	<u>Noncurrent</u>
<i>MCM</i>			
Peso-denominated ten (10) year term loan, payable in 20 equal quarterly payments which will start at the end of 21 st quarter from the initial drawdown date. Interest is subject to quarterly repricing	₱1,496,622,385	–	1,496,622,385
<i>NTC</i>			
Peso-denominated seven (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	350,855,200	16,286,800	334,568,400
<i>EEl</i>			
Floating-rate corporate promissory notes with effective interest of 3.5000%, 3.2500% and 3.4200% per annum for three years (3) years	3,820,905,718	2,825,052,081	995,853,637
<i>BIOTECH JP</i>			
Yen-denominated five (5) year, four and half (4.5) year term and ten (10) year term loan, with interest rate of 0.05% per annum, 0.30% per annum and 2.975% per annum, respectively	156,439,693	39,997,793	116,441,900
<i>ATYC</i>			
Peso-denominated promissory note payable on or before September 30, 2025 together with annual interest of 6.04% due every anniversary of the note starting on September 30, 2023 until the note is fully paid	2,410,751,457	–	2,410,751,457
	₱8,235,574,453	₱2,881,336,674	₱5,354,237,779

Schedule F. Indebtedness to Related Parties (Long-term Loans from Related Companies)

As at March 31, 2023, the Group has Peso-denominated promissory note with a related party amounting to ₱2.4 billion that is payable on or before September 30, 2025 together with the annual interest of 6.04% due every anniversary of the note starting September 30, 2023 until the note is fully paid..

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, 2023.

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	574,655,552	2,368,580	199,441,149
Preferred shares	2,500,000,000	—	—	—	—

HOUSE OF INVESTMENTS, INC.**RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION**

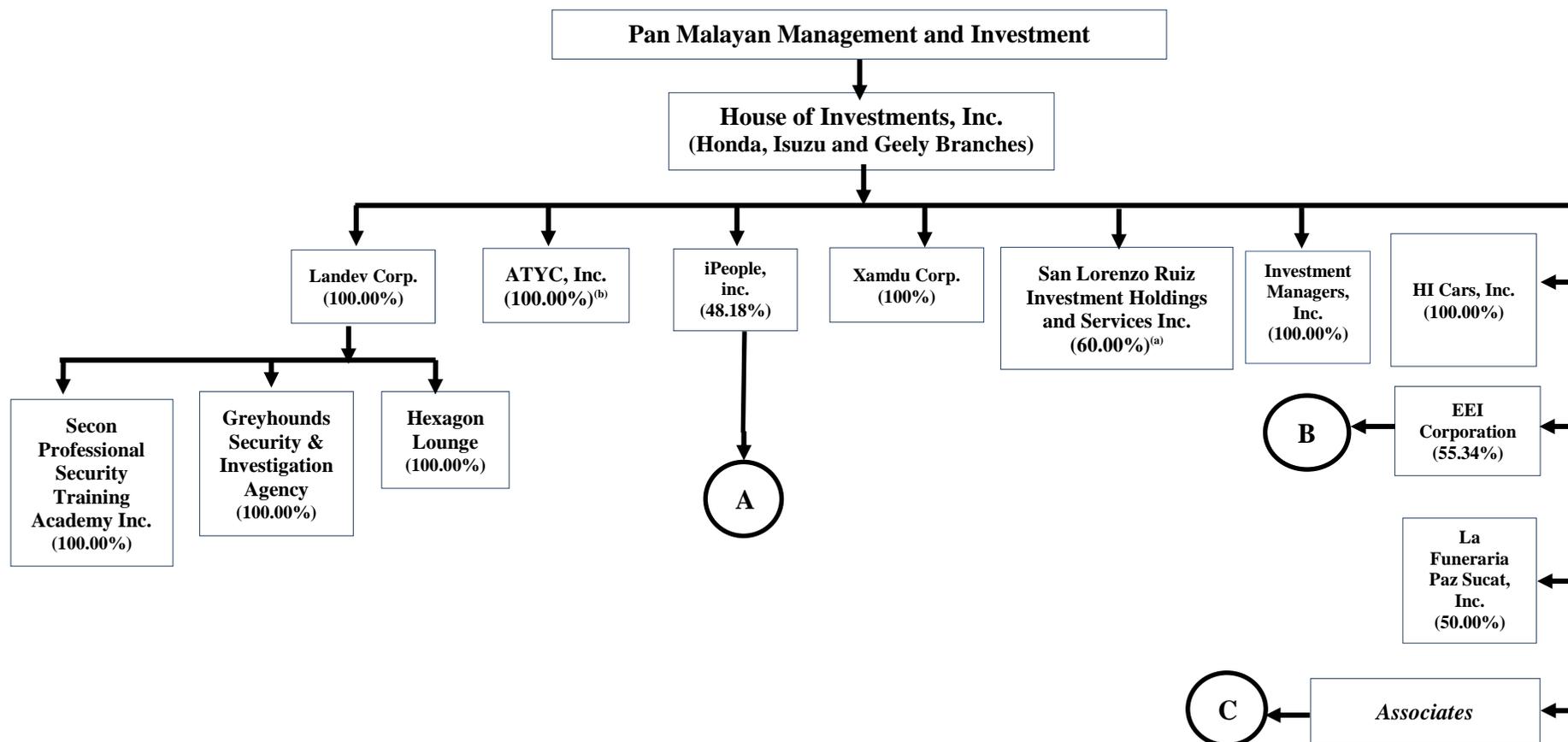
Items	Amount
Unappropriated retained earnings, beginning	₱1,419,741,924
Cumulative prior year adjustments on provision for deferred taxes	(74,882,029)
Unappropriated retained earnings as adjusted, beginning	1,344,859,895
Net income for the year	107,341,876
Provision for deferred income tax through profit or loss	—
Less: Non-actual/unrealized income	
Equity in net income of associate/joint venture	—
Unrealized foreign exchange gain	—
Fair value adjustment (M2M gains)	—
Fair value adjustment of investment property resulting to gain adjustment due to deviation from PFRS/GAAP-gain	—
Other unrealized gain or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	—
Add: Non-actual losses	
Depreciation on revaluation increment (after tax)	—
Adjustment to deviation from PFRS/GAAP-loss	—
Loss in fair value adjustment of investment property (after tax)	—
Net income realized	107,341,876
Dividends declaration during the year	—
Appropriations of retained earnings during the year	—
Reversal of appropriations during the year	—
Unappropriated retained earnings, as adjusted, ending	₱1,452,201,771

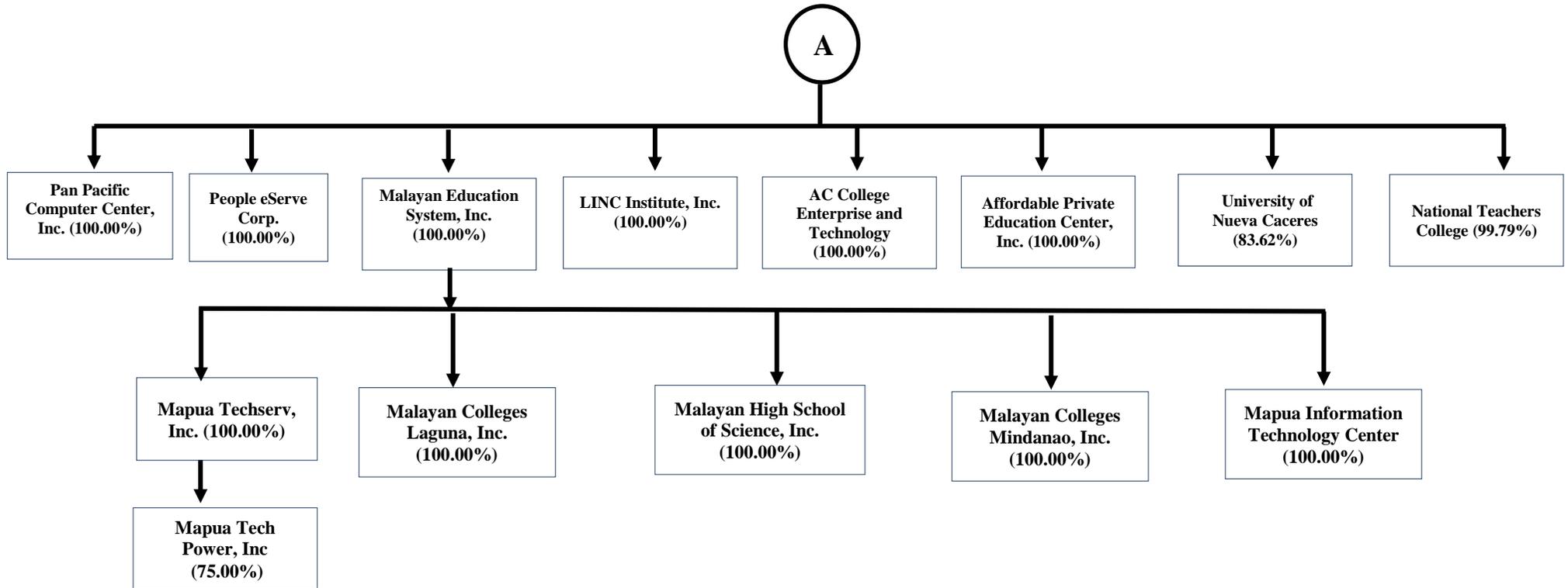
HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES

MAP OF RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP

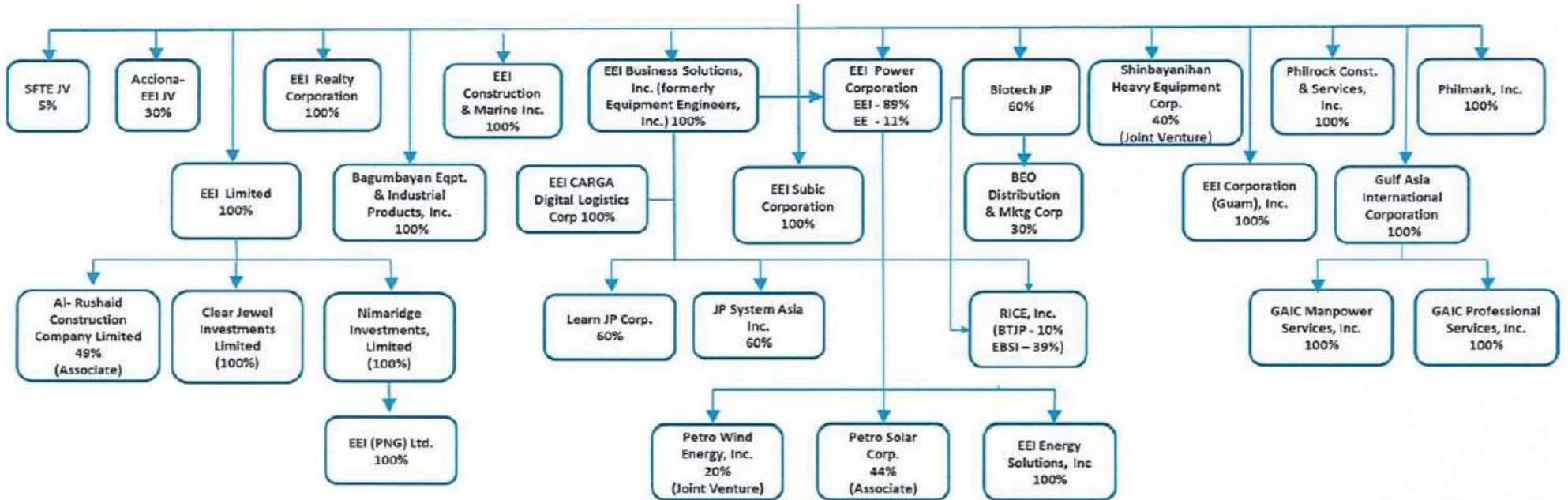
Group Structure

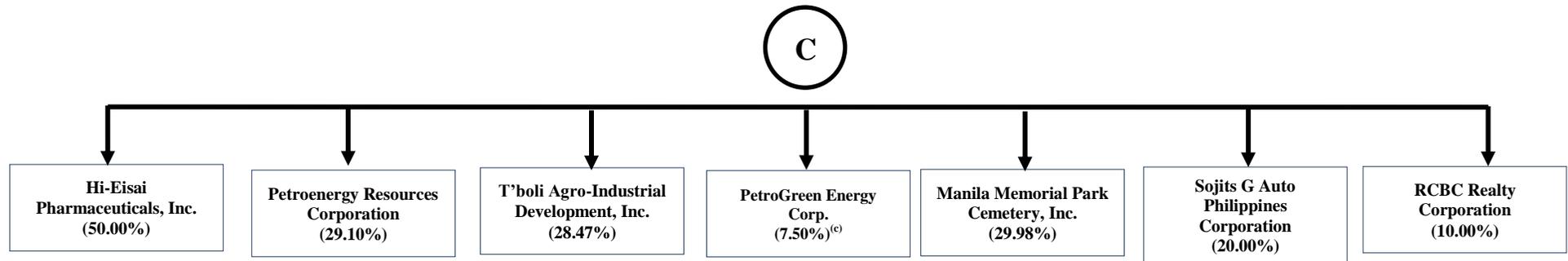
Below is a map showing the relationship between and among the Group and its ultimate parent company, subsidiaries, and associates as of March 31, 2023:





B





- a. *In February 2022, the Parent Company sold 1,612,759 common shares representing 14.64% ownership of SLRHSI to Sojitz Corporation. Further, on November 15, 2022, Sojitz Corporation subscribed and paid for additional authorized capital stock applied for by SLRHSI. Accordingly, the ownership stake of the Parent Company decreased from 100% to 60%.*
- b. *On September 1, 2022, the Parent Company acquired 5,000,000 common shares representing 100% ownership in ATYC.*
- c. *In 2022, the Group's indirect investment in PGEC, a subsidiary of PERC, was reduced due to sale of PGEC's shares to Kyuden International Corporation (KIC), from 10% to 8.55% as of December 31, 2022. In 2023, PGEC applied for increase in authorized capital stock, which was subscribed and issued to KIC, this further reduced the Group's indirect investment from 8.55% to 7.5%.*

HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES**AGING OF ACCOUNTS RECEIVABLE****FOR THE QUARTER ENDED MARCH 31, 2023**

	TOTAL	No. of days due		
		0-30	31-60	Over 61 days
Construction	₱2,929,749,960	1,765,119,941	181,688,883	982,941,136
Car Dealership	609,709,481	424,260,296	156,540,093	28,909,091
Education	1,427,039,422	1,117,107,678	142,386,124	167,545,620
Parent and Others	384,327,504	267,430,483	98,674,312	18,222,710
Total	5,350,826,367	3,573,918,398	579,289,412	1,197,618,557
Less: Allowance for doubtful accounts	(601,667,085)	(25,362,092)	(48,996,492)	(527,308,501)
	₱4,749,159,282	₱3,548,556,306	₱530,292,920	₱670,310,056

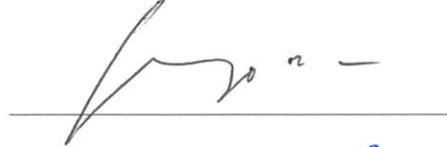
SIGNATURES

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 May 19, 2023.

IN WITNESS WHEREOF, we have hereunto affixed our signatures and the seal of the Corporation this 19 MAY 2023, 2023 at Makati City.

By:

Lorenzo V. Tan
President & CEO



Gema O. Cheng
EVP- COO, CFO & Treasurer



Maria Teresa T. Bautista
VP –Controller



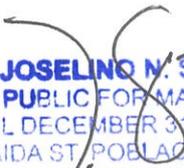
Atty. Samuel V. Torres
Corporate Secretary



SUBSCRIBED AND SWORN to before me this 19 MAY 2023 day of 19 MAY 2023, at MAKATI CITY.
Affiant exhibited to me their Residence Certificate Numbers indicated below each name.

Names	Document No.	Date & Place of Issue/Expiration
Lorenzo V. Tan	P9150965B	03-10-2022 Manila / 03-09-2032
Gema O. Cheng	DL#N06-84-036923	12-08-2022 Mandaluyong / 12-08-2032
Maria Teresa T. Bautista	DL#06-92-094899	11-23-2012 Makati / 11-23-2032
Atty. Samuel V. Torres	P2022842C	10-14-2022 Manila / 10-13-2032

Doc. No. 414;
Page No. 83;
Book No. √2 ;
Series of 2023.


ATTY. JOSELINO N. SUCION
NOTARY PUBLIC FOR MAKATI CITY
UNTIL DECEMBER 31, 2023
2746 ZENaida ST. POBLACION MAKATI
IBP NO. 257632/01/02/23
PTR NO. 956233/01/03/23
MCLE COMPLAINT NO. VII-0013028/04/14/2025
ROLL NO. 60799
APPOINTMENT NO. M-078