HOUSE OF INVESTMENTS

ANNEX "C"

MANAGEMENT REPORT

Financial and Other Information

Audited Financial Statements
The Statement of Management's Responsibility and Consolidated Audited Financial Statements of the Group as at December 31, 2020 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. ("the Company") was incorporated in 1959 as an investment bank, the first of such bank to be organized in the Philippines. Through the years, the Company evolved into an investment holding and management company with a diversified portfolio and became one of the four major flagship corporations of the Yuchengco Group of Companies ("YGC").

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

CORE BUSINESS UNITS:

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

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

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

House of Investments owns a minority stake in Sojitz G Auto Philippines Corporation ("SGAP") which owns and operates the Geely distributorship and the flagship dealership in North Edsa.

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

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

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

D. PROPERTY SERVICES

House of Investments wholly owns Landev Corporation. Landev is primarily engaged in property, facilities, and project management for the YGC. It also provides comprehensive security services to leading institutions through its subsidiary Greyhounds Security and Investigation Agency Corporation ("GSIA").

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

In 2020, House of Investments acquired San Lorenzo Ruiz Investment Holdings and Services, Inc. which owns a property within the Makati Central Business District.

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

PORTFOLIO INVESTMENTS:

A. ENERGY

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

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

EEI Power Corporation is involved in the business of power generation by way of its investments in renewable energy. It is also engaged in retail electricity supply and in the supply of electrical equipment and services, as well as electro-mechanical contracting works.

B. PHARMACEUTICALS

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

C. DEATHCARE

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

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

1.2 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 actual results compared to budgets and previous year performance, House of Investments is able to direct corporate strategy and operations.

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

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

Risks at the Holding Company Level

Risk management is an integral part of the Company's governance. Through the Risk Management Council ("RMC"), key risk exposures are identified, analyzed, and categorized; and then risk mitigation plans are developed. The RMC is composed of the following: Chief Executive Officer, Chief Operating Officer, Chief Finance Officer, Chief Risk Officer, Chief Audit Officer, Complaince Officer, and all Group Heads. The council is responsible for monitoring and evaluating the effectiveness of the organization's risk management processes and in communicating significant risks, control issues and risk mitigation plans to the Board Risk Oversight Committee ("BROC") which is composed of three non-executive directors.

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

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

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

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

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

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

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

DRM) Council to ensure that necessary precautionary measures are taken to mitigate risks that may cause disruptions to the operations of our various subsidiaries.

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

The businesses that the Company is invested in may be impacted by the government mandated Community Quarantines which resulted in lockdown of business operations and/or increased operating costs thereby affecting the profitability of our various operations. These lockdowns have resulted in a decline in revenues and income for our major businesses for 2020. Despite the setbacks, we continue to prepare our businesses to take advantage of a reopening economy.

Pandemic risk mitigation is by our respective companies with the assistance of the Business Continuity Management – Disaster Risk Management ("BCM-DRM") Council.

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

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

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

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

CAR DIVISIONS

House of Investments operates two car-retailing brands: Honda and Isuzu. Honda's vehicle line-up includes passenger cars and commercial vehicle categories while Isuzu's is purely commercial vehicles. The Company also holds a minority interest in SGAP, the distributor of Geely vehicles and the owner and operator of the flaghip dealership in North Edsa.

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

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

In 2020, the Company took a long hard look at the future of its Cars business and closed down five of our least profitable auto dealerships, in an effort to reduce costs and better position the business for improved profitability.

Risk Factors at the Car Divisions

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

b. Operational Risks
   - Franchise Agreements with Honda, Isuzu, and Geely. Our dealerships operate under a franchise agreement with Honda Cars Philippines Inc.with Isuzu Philippines Corp. and Sojitz G Auto Philippines Corp., which authorizes our dealerships to sell new vehicles of the brands we carry or perform manufacturer authorized warranty service. These agreements govern almost every aspect of the operation of our dealerships, and give manufacturers the discretion to terminate or not renew our franchise agreements for a variety of reasons

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

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

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

   - Competition. We compete with other automotive brands as well as other franchised automotive dealerships; private market buyers and sellers of imported and/or used vehicles; local service and repair shops and parts retailers; and automotive manufacturers (those that own their own dealerships).
     In addition to competing on car models, buying decisions by consumers when shopping for a vehicle are extremely price sensitive. The level of competition in the market can lead to lower selling prices and lower profits

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

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

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

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

e. Regulatory issues

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

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

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

f. Environmental regulations

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

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

THE CONSTRUCTION SECTOR

EEI CORPORATION AND SUBSIDIARIES

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

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

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

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

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

EEI also owns five major subsidiaries:

- **Equipment Engineers, Inc.** engages in the supply and marketing of a broad range of industrial plant facilities, process equipment, systems, and parts to the industrial, commercial, and property development companies; and, engages also in supply management services.
- **EEI Power Corporation** is 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.** engages in structural fabrication works and light steel construction works such as storage tanks, pressure vessels, ducts and pipes.
- **GAIC Group** provides manpower services to both local and foreign markets.
- **EEI Realty Corporation** is engaged in the development of land, housing, and other properties.
- **JPSAI** is a provider of formworks and scaffolding.

<u>Risk Factors at the Construction Sector</u>

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

EEI has identified the following major risks (in no particular order) and corresponding mitigating measures:

1. Pandemic Risk

The life, well-being, and mental health of EEI's people are at risk as the Covid-19 virus remains prevalent. Also, disruption to its operations is a possibility as the pandemic protocols may restrict the availability and movement of needed resources. Award of new projects in certain market segments (e.g. tourism and leisure oriented ones) may experience slowdown until the pandemic is resolved or sufficiently contained by a successful vaccine.

The Backlog from and expected subsequent rewards of new infrastructure projects can make up for any shortfall in the other portfolios. This is mainly driven by the government's infrastructure spending as part of its effort to stimulate the economy and the Company's reputation as a trusted partner in infrastructure construction. Their client's willingness to share with the cost of Covid-19 safety measures is a positive factor.

To further mitigate this risk, EEI has implemented improved Covid-19 safety protocols. Initiatives to have their own vaccination program (including purchase of Covid 19 vaccines) is being undertaken to complement the government's own program. EEI is exploring new programs to take care of the mental health of our workers.

2. Operational risks

Volatility in the availability of activities or areas executable in our projects, made more volatile due to the effects of the pandemic to the movement of resources, creates a higher probability of such resources being under-utilized that can contribute to project overruns.

To mitigate this risk, EEI anticipates executable project work-fronts are now more rigorously done; shift under-utilized resources to projects where it will be better utilized is part of our strategy; and drive to increase work productivity by 20% this year is now in-place and this includes further improvement in project controls

3. Liquidity risks

The natural pace of how construction projects are being executed (i.e. S-curve) tends to create temporary negative cashflows in the middle of project implementation. Moreover, the current weak economy tends to make some clients handle their cash flows a bit tighter possibly resulting to some delays in payment of our receivables.

To mitigate this risk, close monitoring of project cashflows and prompt billing are being done and cashflow projection models are being developed to determine the ample pace of our projects to minimize these temporary negative cashflows without compromising contractual commitments.

4. Geopolitical risks

Prevailing travel restrictions may hamper on-going diversification efforts to other foreign markets in the meantime as their governments are expected to prioritize local and already in-place businesses to support their economies. On the contrary, the Company's current presence in the Kingdom of Saudi Arabia (KSA) and developing presence in Qatar will benefit from this situation.

To mitigate this risk, EEI continues to build up capacity, partnership and competence to enter foreign markets in preparation for its anticipated opening when the pandemic is resolved; leverage talent in project management by offering services thru consultancy or online platforms locally and internationally; and look for other global players that would want to enter and are willing to work with us in KSA and Qatar.

5. Interest rate risk

The Company's debt increased mainly due to the effects of the Pandemic though the prevailing low interest rates did mitigate the impact. However, rates are expected to rise as the government will try to curb inflation when the economy recovers later this year.

To mitigate this risk, EEI has availed sufficient long-term loans to lock-in interest rates to help protect against its future anticipated increase.

6. Inflation and possible price shocks

Inflationary forces are expected to be a factor in 2021 as the economy stays afloat and then attempts to recover. Restrictions in supply and movement of goods together with the eagerness of some businesses to recover its losses due to the Pandemic are part of what drives inflation and may result to price shocks if not regulated properly by the government. The increase in demand for resources used in infrastructure projects may also play a part in these dynamics.

To mitigate this risk, contracts with suppliers and partners are being worked on in part to locked-in or make the possible upward price movements of project resources more predictable and subdued; provisions protecting the Company from price increases are included in their contracts as much as possible; and sufficient contingencies are included in the price of construction contracts to account for this risk when necessary.

7. Environmental risks: Acts of nature

EEI's ability to handle natural calamities may encounter some challenges as these events happen alongside the Covid 19 pandemic. Moreover, 2021 is a La Nina year for the Philippines and coupled with the effect of the climate change may result to a more pronounced rainy season ahead – which has the possibility of hampering the pace of our projects more than usual.

To mitigate this risk, EEI's crisis management and business continuity plans are being improved to take into account these combined threats; project schedules are being adjusted to mitigate the effects of inclement weather; and sufficient insurance coverage is in-place to protect the Company from possible financial impact of this risk.

8. Disruptive technologies and businesses

Emergence of new and possibly disruptive technologies and businesses that can threaten EEI's current business will continue in 2021. More so because of its necessity as the pandemic makes untenable some of the old ways of life – including our needs and ways of work.

Research, acquisition and deployment of latest tools and technology to improve or change our business are continuously being explored and deployed to mitigate this risk.

9. Fraud risk

Though fraud risk is not new, the pandemic has the potential to increase this risk. Economic hardships can provide unscrupulous entities the motivation and burdened control systems can provide the opportunity for fraud.

To mitigate this risk, EEI's internal audit team acquired improved expertise to handle fraud risks. Moreover, a dedicated council at management level is established to serve as the operating arm of the Board on its anti-fraud efforts and complement the internal audit team in fraud detection and mitigation.

10. Cybersecurity risks

As EEI relies heavily in the use of the internet in our way of work as part of our response to the challenges of the Pandemic, vulnerability to cyber threats (i.e. crimes and/or attacks) is seen to rise. Security of its data and continuity of business processes may be at risk.

To mitigate this risk, cybersecurity assets (e.g. firewalls, antiviruses, etc.) are being deployed coupled with awareness and education programs on cybersecurity threats for employees and engineering interventions are being employed such as eliminating the use of traditional less secured data storage devices (e.g. flash drives, external hard disks, etc.) and instead promote the use of more secured network/cloud drives. Moreover, EEI has started its migration to the use of more secured IT assets.

THE EDUCATION SECTOR

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

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

The operating schools under the iPeople network are as follows:

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

(2) **Malayan Colleges Laguna, Inc., A Mapúa School ("MCL")** is a wholly-owned subsidiary of Mapúa University located in Cabuyao, Laguna, alongside several science and industrial parks. MCL was established to extend the brand of the Mapúa Institute of Technology to the south by offering programs in engineering and architecture, accountancy, business, communication, computer science, , information technology, maritime education, and multimedia arts to students who prefer to stay closer to home. With 22 baccalaureate programs of which 3 are fully online programs, MCL has five degree-offering colleges, namely College of Arts and Science, College of Computer and Information Science, E.T. Yuchengco College of Business, Mapúa Institute of Technology at Laguna, and the Mapúa-PTC College of Maritime Education and Training. In 2016, MCL also opened its doors to Senior High School (SHS) students, offering a total of six strands under the Academic and the Technical-Vocational-Livelihood Tracks. After thirteen years of operation, MCL was granted Autonomous Status by the Commission on Higher Education last October 2019, as per CHED Memorandum Order No. 12, Series of 2019. Given this, MCL offered two new programs, B.S. Business Administration and B.S. Psychology, starting Academic Year 2020-2021.MCL has achieved another milestone by obtaining a three-star overall rating in Quacquarelli Symonds (QS) Star Rating System from the United Kingdom last December 2020.To date, there are 5,028 students under both college and SHS with 44% percent of its college students enrolled in engineering programs.

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

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

(5) **The University of Nueva Caceres (UNC),** the first university in Southern Luzon, traces its humble beginning with the benevolence of Dr. Jaime Hernandez, former Secretary of the Department of Finance, as his way of giving back to the Bicolano community. In February 1948, Dr. Hernandez together with other prominent Bicolanos, formed the Nueva Caceres College, and in 1953, the school attained University Status. In July 2015, the University of Nueva Caceres partnered with Ayala Corporation through Ayala Education, Inc to further enhance the quality of education through industry and technology driven innovations. Currently, the University offers complete basic education, four programs in the College of Arts

and Sciences, thirteen in the College of Business and Administration, five in the College of Computer Studies, thirteen in the College of Education, six in the College of Engineering, Nursing Course, Criminal Justice Education, Juris Doctor, and three Doctorate and fifteen Masters Degree programs in the Graduate Studies department. UNC endeavors to fulfill its tri-focal function of instruction, research, and extension while making education accessible and affordable. The battle cry "from first to number one" summarizes UNC's goals of excellence in quality, access, relevance, and responsiveness. UNC aims to be known not only as the first university in Bicol, but to be the Number 1 university in terms of employability of graduates.

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

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

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

a. Regulatory, recognition of academic programs, and accreditations from government, and self-regulating private accreditation organizations.

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

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

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

- Changes in regulations. The Universal Access to Tertiary Education Act (RA10931) had its implementation in AY 2018-19. This resulted to notable decline in college freshman intake in private schools as large portion of the incoming freshman applied to SUCs/LUCs to avail of free education under the Act.

  The Free College Education Act poses a risk to our schools. This may adversely impact enrollment numbers if prospective students will opt to enroll in state-run universities and colleges.

b. Competition

- Faculty. The schools depend on high quality faculty to teach the educational programs. To the extent that they can, the schools at both the tertiary and secondary level recruit faculty with excellent academic credentials and teaching skills. The schools might not be able to recruit the desired faculty due to any number of factors, including mismatches between the desired compensation and offer; competing recruitment from other educational institutions; or candidates seeking opportunities abroad.

  The schools also work to retain key faculty in certain academic disciplines in order to maintain continuity and reduce turnover. If recruitment and retention efforts suffer, the quality of teaching and the quality of academic programs might suffer.

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

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

c. Credit Risk

As the schools increase their enrollment, the level of receivables also increases. Some of the students who cannot afford to make the full payment of tuition and miscellaneous fees during an academic term execute a Promissory Note and are expected to settle their accounts prior to the start of the next academic term. Majority of the senior high school students of APEC avail of the Senior High School Voucher Program (SHSVP) of the DepEd which results to a longer collection period for the school. The schools do not aggressively pursue collection of defaulted student debt given that the default rate is small. Regardless, the schools face a risk that a rise in student defaults on promissory notes would impact profits and cash flows negatively.

d. Operational Risk

The following may hamper the operations of the IPO schools:

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

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

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

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

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

Our schools have been preparing for school reopening with limited face to face. Schools are awaiting final guidelines to be issued by CHED in order to finalize its school reopening guidelines.

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

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

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

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

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

PROPERTY SERVICES

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

- Property management for RCBC Plaza, RCBC Savings Bank Corporate Center, Y Tower 1 and 2, and ETY Building;

- Facilities management for RCBC and RCBC Savings Bank branches nationwide; and
- Project management for the construction of the new Mapúa Makati campus and the renovations of National Teachers' College.

GREYHOUNDS SECURITY AND INVESTIGATION AGENCY CORPORATION

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

SAN LORENZO RUIZ INVESTMENT HOLDINGS & SERVICES, INC.

In December 2020, House of Investments purchased 100% of the issued and outstanding capital stock in San Lorenzo Ruiz Investment Holdings & Services, Inc. ("San Lorenzo Ruiz") which owns a property within the Makati Central Business District.

RCBC REALTY CORPORATION

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

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

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

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

<u>Risk Factors at the Property Services</u>

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

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

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

c. Operational Risk
The success of our business depends on how smoothly we manage the operations of the properties and projects under our management. If we do not successfully manage our existing operational and administrative staff, we may not be able to achieve the anticipated gross margins, service quality, overtime levels and other performance measures that are important to our business, financial condition and results of operations.

Our operations can be challenged by machinery breakdowns, obsolescent parts, logistics and/or manpower shortages or property losses due to fire, adverse weather conditions, earthquakes, and militant activities e.g. rallies and strikes, among others. In addition, our business is subject to substantial risk of loss resulting from: claims by employees, customers, and third parties for personal injury or property damage; and fines and penalties in connection with alleged violations of regulatory requirements. To mitigate these risks, the company ensures that both the client and the company have adequate insurance.

d. Litigation Risk

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

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

e. Competition

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

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

- Recruitment and Retention. Our business involves the labor-intensive delivery of our services. We derive our revenues through the services rendered by our employees. Our future performance depends in large part upon our ability to attract, train, motivate and retain our skilled operational and administrative staff.

  The loss of the services of, or the failure to recruit, the required complement of security, operational and administrative staff would have a material adverse effect on our business, financial condition and results of operations, including our ability to secure and complete security service contracts.

f. Regulatory Risk

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

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

g. Environmental Liability

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

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

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

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

Item 2: Properties

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

The following summarizes information on House of Investments and subsidiaries real property ownership as of April 30, 2021.

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	Commercial
EEI CORPORATION		
Itogon, Benguet	1985	Residential (Monterazza)
Nueva Ecija	1997	Agricultural
Bulacan	1997	Agricultural
Golden Haven Memorial - Las Pinas	2003	Memorial Lots
San Jose, Sta Maria, Bulacan	2005	Industrial
Minuyan, San Jose del Monte, Bulacan	2005	Agricultural
Minuyan, San Jose del Monte, Bulacan	2005	Cogon/Agricultural
Bauan, Batangas	2012	Fabrication Shop
EEI CONSTRUCTION AND MARINE, INC.		
Silang, Cavite	2010	Fabrication Shop
EEI REALTY CORP.CORPORATION		
Trece Martires, Cavite	1995	Residential
Trece Martires, Cavite	1995	Industrial
Trece Martires, Cavite	1995	Developed Residential
Calamba, Laguna	1995-96	Residential
Marikina - Suburbia East	1999	Residential
EQUIPMENT ENGINEERS, INC.		
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

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

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	2021
Service Center	Tandang Sora, QC	2028
Dealership	Leyte	2024
Warehouse	Leyte	2022
HONDA CARS KALOOKAN, INC.		
Dealership	Mandaluyong	2028
Stockyard	Kalookan	2022
AFFORDABLE PRIVATE EDUCATION CENTER, INC.		
Office	Head Office	2024
School campus	V. Luna	2030
School campus	Dona Juana	2021
School campus	North Fairview	2027
School campus	C. Raymundo	2027
School campus	Marikina Heights	2026
School campus	Grace Park West	2027
School campus	Tondo	2021
School campus	Tondo (Annex)	2025
School campus	Muntinlupa	2027
School campus	Sta. Rita Sucat	2025
School campus	Dasmariñas	2027
School campus	Bacoor-Molino	2029
School campus	Roxas Boulevard	2029
School campus	Pateros	2028
School campus	Taytay	2022
School campus	Ortigas Ext., Cainta	2030
School campus	Calumpang-Annex	2028
School campus	JRU Lipa	2023
School campus	Las Pinas	2026
School campus	Concepcion Dos	2026

PROPERTY DESCRIPTION	LOCATION	LEASE EXPIRATION
School campus	New Manila	2021
School campus	San Pablo	2029

Only MCM, a subsidiary of MESI, has existing mortgage on its property and building. For additional details on the Group's loans payable and long-term debt and the corresponding encumbrances on their assets, refer to the notes related to loans payable, and to the notes related to long term-debt in the Consolidated Financial Statements.

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

Item 3 – Legal Proceedings

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

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

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

There are no matters that will require the vote of the Company's stockholders owning more than 2/3 of the outstanding number of shares during the Annual Stockholders' Meeting on 6 August 2021.

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

CONSOLIDATED RESULTS

Year 2020 vs. 2019

INCOME STATEMENT

Results of Operations

The Group closed the year with an aggregate net loss of P1,693.71 million against last year'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 has 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 this year.

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 last year to P9,785.83 million this year. Change in fair value reserve of equity investments pertains to reclassification of investment in PGEC.

Year 2019 vs. 2018

INCOME STATEMENT

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

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

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

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

BALANCE SHEET

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

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

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

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

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

Equity investments grew from P0.97 billion to P1.15 billion primarily because of the increase in the valuation of the unquoted shares of EEI in Hermosa Ecozone Development Corporation in compliance with PFRS 9.
Investments in associates and joint ventures grew by 12% due to investment in Sojitz G Auto Philippines Corporation, wherein the Parent company has 20% stake, coupled with higher equity earnings intake for the period. Increase in property and equipment at cost and revalued pertains mainly to assets of the newly acquired subsidiaries of iPeople as a result of the merger with AC Education, Inc. Right of use asset is a result of adoption of the new accounting standard, PFRS 16. Retirement assets dropped due to higher cost recognized for the year as a result of higher headcount and lower discount rate. Deferred tax asset pertains mainly to the tax effect of remeasurement loss on defined benefit plans of the Group. The reduction in other noncurrent assets pertain mainly to collection of the outstanding receivables of EEI.

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

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

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

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

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

Year 2018 vs. Year 2017

INCOME STATEMENT

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

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

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

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

BALANCE SHEET

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

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

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

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

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

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

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

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

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

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

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

Consolidated equity grew from P16.35 billion to P18.17 billion, of which P12.43 billion is attributable to the Parent Company. Reduction in preferred stock represents the regular redemption of the Parent Company. Revaluation increment represents the increase in the fair market value of the Group's real properties based on the recent valuation reports. Cumulative translation adjustment pertains mainly to exchange differences arising from the translation of financial statements of the foreign subsidiary, EEI

BVI, whose functional currency is the United States dollar and foreign associate, ARCC with functional currency of Saudi Arabia Riyal. Retained earnings grew from P8.41 billion to P9.20 billion.

Financial Ratios

Below are the financial ratios that are relevant to the Group's for the years ended December 31, 2020 and 2019:

Financial ratios		**2020**	2019
Current ratio *Indicates the Group's ability to pay short-term obligation*	Current Assets / Current Liabilities	**1.02:1**	1.12:1
Solvency Ratio *Shows how likely a company will be to continue meeting its debt obligations*	Net Income + Depreciation / Total liabilities	**(0.011:1)**	0.11:1
Debt-to-equity ratio *Measures the Group's overall leverage*	Total Debt / Total Equity	**1.37:1**	1.21:1
Asset to Equity Ratio *Measures the group's leverage and long-term solvency*	Total Assets / Total Equity	**2.37:1**	2.21:1
Interest Rate Coverage *Shows how easily a company can pay interest on outstanding debt*	EBIT* / Interest Expense	**(3.16:1)**	3.70:1
Return on Assets *Measure the ability to utilize the Group's assets to create profits*	Net Income / Average Total Assets	**3:26%**	3.60%
Return on Equity *Reflects how much the Group's has earned on the funds invested by the stockholders*	Net Income / Average Total Equity	**(7.47%)**	7.92%

**Earnings before interest and taxes*

Current ratio went down from 1.12 in 2019 to 1.02 in 2020. This is mainly attributable to the decrease in contract assets and receivables of EEI in 2020 as a result of slowdown in production activities.

Solvency ratio decreased from 0.11 in 2019 to (0.011) in 2020 mainly because of losses incurred by construction and dealership segment brought by the pandemic.

Debt-to-Equity ratio measures the Group's leverage. It increased from 1.21 to 1.37 this year primarily due to loan availments made especially by EEI to finance its operations, coupled with losses incurred for the year.

Asset-to-Equity ratio increased from 2.21 to 2.37 attributable to net losses registered by the Group.

Interest Rate Coverage ratio shows how easily a company can pay interest on outstanding debt. It is lower at (3.16) times compared to last year due to losses incurred by the Group against net income earned of 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 2020 decreased to 3.26% from 3.60% in 2019 because of net loss posted by the construction and car dealership segments for the year.

Return on Average Stockholders' Equity (ROAE) measures the profitability of the Company in relation to the average stockholders' equity. The ROAE for 2020 declined to (7.47%) from 7.92% in 2019 due to losses incurred of the Group for the year.

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

Other qualitative and quantitative factors

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

a. House of Investments does not anticipate any cash flow or liquidity problems within the next twelve months;
b. House of Investments is not in default or breach of any note, loan, lease, or other indebtedness or financing arrangement which will require the Company to make payments;
c. There is no significant amount of trade payable that have not been paid within the stated terms; and
d. House of Investments depends on dividends from its subsidiaries as its source of liquidity.

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

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

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

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

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

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

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

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

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

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

a. Market for Issuer's common equity and related stockholder matters

The common stock (PSE: HI) is traded on the Philippine Stock Exchange. The market price of HI's common stock as May 27, 2021 (latest practicable trading date) is at P3.58 for high and P3.49 for low.

PERIOD	STOCK PRICE HIGH	LOW
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
2019 Fourth Quarter	5.73	5.20
2019 Third Quarter	6.55	5.75
2019 Second Quarter	7.14	6.09
2019 First Quarter	7.14	5.75
2018 Fourth Quarter	7.80	5.75
2018 Third Quarter	9.00	5.70
2018 Second Quarter	7.23	5.96
2018 First Quarter	7.82	6.90

Stockholders

The top 20 owners of common stock as of April 30, 2021 are as follows:

STOCKHOLDER	COMMON SHARES	% OF TOTAL
Pan Malayan Management & Investment Corp.	356,632,809.00	45.93%
PCD Nominee Corp - Filipino	255,085,031.00	32.85%
Yuchengco, Alfonso T.	90,123,032.00	11.61%
PCD Nominee Corp - Non-Filipino	22,730,836.00	2.93%
A.T. Yuchengco, Inc.	11,240,012.00	1.45%
GDSK Development Corporation	5,064,840.00	0.65%
Go Soc & Sons And Sy Gui Huat, Inc.	4,019,890.00	0.52%
Enrique T. Yuchengco, Inc.	5,181,612.00	0.67%
Y Realty Corporation	3,545,890.00	0.46%
Malayan Securities Corporation	2,790,000.00	0.36%
Seafront Resources Corp.	2,484,000.00	0.32%
Meer, Alberto M.	2,217,030.00	0.29%
Villonco, Vicente S.	803,800.00	0.10%
RP Land Development Corp.	726,720.00	0.09%
Lim, Tek Hui	627,000.00	0.08%
Ebc Securities Corporation	485,320.00	0.06%
Dee, Helen Y. Itf: Michelle	482,240.00	0.06%
Bardey, John C.	476,230.00	0.06%
Wilson, Cathleen Ramona	420,170.00	0.05%
Wilson, Claudia	420,170.00	0.05%
SUB TOTAL	765,556,632	98.60%
Others	10,908,649	1.40%
TOTAL	**776,465,281**	**100.00%**

House of Investments has a total of 384 common shareholders owning a total of 776,465,281shares as of May 31, 2021.
* Represents certificated shares only.

Dividends

In accordance with the Section 42 of the Revised Corporation Code of the Philippines, HI intends to declare dividends (either in cash or stock or both) in the future. Common and preferred stockholders of HI are entitled to receive a proportionate share in cash dividends that may be declared by the Board of Directors out of surplus profits derived from HI's operations after satisfying the cumulative interest of preferred shares.

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

The company has declared cash dividends as follows:

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

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

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

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

Description of Registrant's Securities:

The equity capital structure of the firm as of April 30, 2021 is shown below:

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