

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended
Sep 30, 2017
2. SEC Identification Number
15393
3. BIR Tax Identification No.
000-463-069-000
4. Exact name of issuer as specified in its charter
HOUSE OF INVESTMENTS, INC.
5. Province, country or other jurisdiction of incorporation or organization
Manila, Philippines
6. Industry Classification Code(SEC Use Only)
7. Address of principal office
3rd Flr., Grepalife Bldg, 219 Sen. Gil Puyat Avenue, Makati City
Postal Code
1200
8. Issuer's telephone number, including area code
(632) 815-9636
9. Former name or former address, and former fiscal year, if changed since last report
NA
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

| Title of Each Class | Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding |
|----------------------------|---|
| Common Shares | 615,996,114 |
| Preferred Shares | 684,456,876 |
| Amount of Debt Outstanding | 19,939,198,998 |

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

Yes No

If yes, state the name of such stock exchange and the classes of securities listed therein:

Philippine Stock Exchange - Common

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports)

Yes No

(b) has been subject to such filing requirements for the past ninety (90) days

Yes No

The Exchange does not warrant and holds no responsibility for the veracity of the facts and representations contained in all corporate disclosures, including financial reports. All data contained herein are prepared and submitted by the disclosing party to the Exchange, and are disseminated solely for purposes of information. Any questions on the data contained herein should be addressed directly to the Corporate Information Officer of the disclosing party.

House of Investments, Inc.

HI

PSE Disclosure Form 17-2 - Quarterly Report
References: SRC Rule 17 and
Sections 17.2 and 17.8 of the Revised Disclosure Rules

| | |
|--|--------------|
| For the period ended | Sep 30, 2017 |
| Currency (indicate units, if applicable) | PHP |

Balance Sheet

| | Period Ended | Fiscal Year Ended (Audited) |
|-----------------------------|----------------|-----------------------------|
| | Sep 30, 2017 | Dec 31, 2016 |
| Current Assets | 18,281,721,069 | 17,616,353,756 |
| Total Assets | 35,575,727,848 | 33,688,713,656 |
| Current Liabilities | 17,136,460,091 | 15,904,170,700 |
| Total Liabilities | 19,939,198,998 | 19,082,825,763 |
| Retained Earnings/(Deficit) | 8,226,270,490 | 7,529,455,996 |

| | | |
|--------------------------------------|----------------|----------------|
| Stockholders' Equity | 15,636,528,850 | 14,605,887,893 |
| Stockholders' Equity - Parent | 10,748,342,482 | 10,050,012,851 |
| Book Value per Share | 24.93 | 23.22 |

Income Statement

| | Current Year (3 Months) | Previous Year (3 Months) | Current Year-To-Date | Previous Year-To-Date |
|--|------------------------------------|-------------------------------------|-----------------------------|------------------------------|
| Gross Revenue | 6,571,115,802 | 6,425,145,651 | 18,997,429,600 | 19,116,051,071 |
| Gross Expense | 5,778,041,635 | 5,437,170,638 | 16,602,310,093 | 16,259,964,917 |
| Non-Operating Income | 94,324,278 | 117,887,894 | 418,229,133 | 323,174,229 |
| Non-Operating Expense | 528,450,282 | 1,262,770,684 | 1,415,945,494 | 2,537,929,966 |
| Income/(Loss) Before Tax | 358,948,163 | -156,907,777 | 1,397,403,146 | 641,330,417 |
| Income Tax Expense | 74,880,076 | -38,861,785 | 296,781,880 | 91,848,273 |
| Net Income/(Loss) After Tax | 284,068,087 | -118,045,992 | 1,100,621,266 | 549,482,144 |
| Net Income Attributable to Parent Equity Holder | 189,851,747 | 16,365,241 | 757,266,804 | 519,457,741 |
| Earnings/(Loss) Per Share (Basic) | 0.31 | 0.03 | 1.2 | 0.81 |
| Earnings/(Loss) Per Share (Diluted) | 0.24 | 0.02 | 0.96 | 0.64 |

| | Current Year (Trailing 12 months) | Previous Year (Trailing 12 months) |
|--|--|---|
| Earnings/(Loss) Per Share (Basic) | 1.01 | 1.24 |
| Earnings/(Loss) Per Share (Diluted) | 0.81 | 0.97 |

Other Relevant Information

Please see attached 17-Q report.

Filed on behalf by:

| | |
|--------------------|---------------------|
| Name | Ma. Teresa Bautista |
| Designation | Controller |

COVER SHEET

for AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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COMPANY NAME

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| | | S | U | B | S | I | D | I | A | R | I | E | S | | | | | | | | | | | | | | | | |
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PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

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|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
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| 2 | 1 | 9 | | 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 | | | |
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Form Type

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Department requiring the report

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Secondary License Type, If Applicable

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|---|---|---|--|
| N | / | A | |
|---|---|---|--|

COMPANY INFORMATION

Company's Email Address

[N/A](#)

Company's Telephone Number

815-9636 to 38

Mobile Number

N/A

No. of Stockholders

392

Annual Meeting (Month / Day)

July 21

Fiscal Year (Month / Day)

September 30

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person

Maria Teresa T. Bautista

Email Address

mtbautista@hoi.com.ph

Telephone Number/s

815-9636

Mobile Number

N/A

CONTACT PERSON'S ADDRESS

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

NOTE 1 : In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2 : All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17 – Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION
CODE
AND SRC RULE 17(2)-(B) THEREUNDER

1. For the quarterly period ended September 30, 2017
2. SEC Identification Number 15393
3. BIR Tax Identification No. 000-463-069
4. Exact name of registrant as specified in its charter: HOUSE OF INVESTMENTS, INC.
5. Makati City, Philippines
Province, Country or other jurisdiction
of incorporation or organization
6. / / (SEC Use Only)
Industry Classification Code:
7. 3rd Floor, Grepalife Building, 219 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

| <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 | 615,996,114 shares of common stock |
| Preferred Stock, P0.40 par value | 650,661,817 shares of preferred stock |

Amount of debt as of September 30, 2017 P19.94 Billion

11. Are any or all of these securities listed on the Stock Exchange.

Yes (X) No ()

Only the common stock is listed in the Philippine Stock Exchange
12. Check whether the registrant:
 - (a) has filled all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding 12 months (or for such shorter period that the registrant was required to file such reports):

Yes (X) No ()
 - (b) has been subject to such filing requirements for the past 90 days.

Yes (X) No ()

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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 September 30, 2017 with comparative figures for the periods ended December 31, 2016 and September 30, 2016 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 Company depends on cash flow from operations and dividends for liquidity. |

(ii) Any events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation;

None

(iii) All material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

None

(iv) Any material commitments for capital expenditures, the general purpose of such commitments, and the expected sources of funds for such expenditures should be described;

•EEI Corp., a major subsidiary under the HI Group, continues to have a strong construction pipeline domestically. Major additions to its project pipeline will require additional investments in new capital equipment in order for EEI to deliver its projects to its customers. EEI expects to be able to pay for its capital equipment acquisitions through a combination of internally generated funds, and new borrowings.

• iPeople, inc's has no material commitments for capital expenditures other than the construction of a new campus on a 3-hectare property in Davao through its subsidiary, Malayan Colleges Mindanao (A Mapua School), Inc. (MCMI). Completion is expected in time for the Academic Year 2018-2019. The project is estimated to cost around P2 billion and will be funded partially by debt.

(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.

•For iPeople Inc., the K plus 12 program of the Department of Education (DepEd), which calls for the two extra years of basic education started in 2016. There will be two academic years where there will be no students moving on to tertiary studies starting 2016. This is expected to impact the profitability and cash flow of educational institutions during the transition period.

To address the effects during the transition period, Malayan Colleges, Inc. and Malayan Colleges Laguna, Inc. offered Senior High School and started to take in Grade 11 students in 2016 and Grade 12 in 2017. Also, as a strategic response to the K Plus 12 developments, iPeople is actively seeking opportunities to expand its current education portfolio.

•The Car Dealerships benefited from new product and product variant introductions by Honda and Isuzu. During such periods, Honda and Isuzu unit sales increased significantly.

(vi) Any significant elements of income or loss that did not arise from the registrant's continuing operations;

None

(vii) The causes for any material change from period to period which shall include vertical and horizontal analyses of any material item; The term "material" in this section shall refer to changes or items amounting to five percent (5%) of the relevant accounts or such lower amount, which the registrant deems material on the basis of other factors.

Income Statement Variances

As of the period ended 30 September 2017, the Group posted a consolidated net income after tax of P1.10 billion compared to P0.55 billion against last year. Net income attributable to Parent company is P757.27 million.

Total consolidated revenues is at P19.0 billion slightly lower compared to P19.12 billion of last year, primarily due to lower revenues generated both by construction and education segments.

Revenues from services, which pertain primarily from the construction segment, declined by 9% compared to last year. This is attributable to slowdown in reported production resulting from completion and near completion of several domestic projects, and limited progress of construction work due to right of way issues. Sales of goods increased from P5.75 billion last year to P6.98 million this year primarily because of improved sales of car dealerships.

Revenues from school operations dropped from P1.67 billion to P1.45 billion this period because of the lower number of enrollees for this school year, as a result of the K+12 program transition, and lower tuition fees of Senior High School.

Interest and discounts, which are attributable to ZIFC, decreased from P7.98 million to P7.53 million as of this quarter because of lower borrowings from its real estate accounts.

Last year's dividend income includes dividend from RCBC Realty Corporation wherein the Parent Company has a 10% stake.

Cost of services is lower primarily because of completion of major domestic projects. The increase in cost of goods sold is largely attributable to the increased sales volume of the car dealerships. Cost of schools and related operations is higher primarily due to increased depreciation, management and professional fees, seminars and trainings, tools and library books, periodicals and accreditation fees

Consolidated general and administrative expenses increased by 5%, from P1.57 billion to P1.64 billion this year. The increase is attributable to higher personnel and management expenses of the Group, marketing activities of the car dealerships, rent and utilities, and depreciation.

Other income is higher this period due to (a) timing of redemption of RCBC Realty Corporation of its preferred shares, which resulted to a gain of P23.65 million; (b) increase in commission income; (c) higher interest income; and (d) write-off of long outstanding payables of EEI.

Equity in net earnings of associates and joint ventures is at P427.64 million compared to net loss of P733.26 million. This is mainly attributable to the improved performance of ARCC, a foreign affiliate of EEI in which it has a 49% stake.

Interest and finance charges are lower as of the period, from P232.07 million to P199.94 million, as the Group regularly settles its obligations.

Balance Sheet Variances

Total consolidated assets of the Group stood at P35.58 billion as of the period ending September 2017 against P33.69 billion of the year ended December 2016.

Total current assets increased from P17.62 billion to P18.28 billion this year, which is primarily due to advances extended by the foreign subsidiary of EEI to its associate.

Cash and cash equivalents are lower compared to December 2016 due to settlement of obligations to various subcontractors and suppliers.

Accounts receivables are higher by 9%, mainly due to initial payments made by the Parent Company relative to acquisition of a property.

The increase in current and non-current portion of loans receivable is related to ZIFC operations.

Inventories decreased due to higher volume of vehicle units sold by the car dealerships, and utilization of EEI's construction materials for its various on-going local projects.

Receivable from related parties increased mainly due to advances made by EEI Limited, a foreign subsidiary of EEI, to Al Rushaid Construction Company, Ltd. (ARCC), its associate.

Prepaid expenses and other current assets decreased primarily due to collection of advances to a project owner of EEI.

Financial assets at FVPL pertains to investment of iPeople (IPO) in UITF.

Total noncurrent assets increased from P16.07 billion to P17.29 billion.

Investments in associates and joint ventures primarily went up due to impact of EEI share on ARCC's net earnings as of the quarter compared to losses incurred in same period of last year.

Available for sale securities went down due to redemption of RCBC Realty Corporation of its preferred shares.

Property and equipment increased by 11% relative to the on-going construction of school building in Mindanao.

Retirement asset increased due to additional contributions made by the Group.

Other noncurrent assets increased due to advances made by EEI to one of its clients which will be liquidated after project completion.

Total consolidated liabilities slightly increased to P19.94 billion from P19.08 billion as of December 2016.

Increase in total current liabilities is attributable to higher borrowings of the Group.

Loans payable increased as the Group took out new loans to finance its new and ongoing projects.

Accounts payable and accrued expenses decreased primarily because of settlement of various accounts to suppliers and subcontractors.

Billings in excess of costs and estimated earnings on uncompleted contracts decreased due to recoupment of down payments from completed domestic projects.

Unearned tuition fees significantly increased due to timing of enrolment for the 1st term of SY 2017-2018.

Due to related parties increased due to higher share of EEI in the income tax liability of ARCC as of the period.

Total noncurrent liabilities dropped to P2.80 billion from P3.18 billion as of the period ending December 2016.

Long-term debt dropped as the Group regularly pays its maturing obligations.

Total consolidated equity rose from P14.61 billion to P15.64 billion.

Decrease in preferred stock reflects regular redemption of the Parent Company's preferred shares.

Net unrealized gains on available-for-sale securities increased because of improvement on the fair market value of quoted available-for-sale securities.

Total consolidated retained earnings increased from P7.53 billion to P8.23 billion due to higher income posted by the Group as of the period.

(viii) Any seasonal aspects that had a material effect on the financial condition or results of operations.

Every summer term, the school operations undergo a material change. For the purposes of this discussion, the summer term occurs in the three months from late March to late May of every year.

During the summer term, student enrolment drops over 50 percent 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 drop in enrolment during the summer, the schools continue to carry the same periodic fixed costs over a lower revenue base. Therefore the schools realize much lower net profits during the summer months.

Financial Soundness Indicators

The company's top 11 key performance indicators as of the end of September 30, 2017 compared to September 30, 2016 and to December 31, 2016 are as follows:

| Financial ratios | | Unaudited 30-Sep-17 | Unaudited 30-Sep-16 | Audited 31-Dec-16 |
|--|---|------------------------|------------------------|----------------------|
| Current ratio | $\frac{\text{Current Assets}}{\text{Current Liabilities}}$ | 1.07:1 | 1.07:1 | 1.11:1 |
| <i>Indicates the Group's ability to pay short-term obligation</i> | | | | |
| Solvency Ratio | $\frac{\text{Net Income} + \text{Depreciation}}{\text{Total Liabilities}}$ | 0.09:1 | 0.06:1 | 0.06:1 |
| <i>Shows how likely a company will be to continue meeting its debt obligations</i> | | | | |
| Debt-to-equity ratio | $\frac{\text{Total Debt}}{\text{Equity}}$ | 1.28:1 | 1.41:1 | 1.31:1 |
| <i>Measures the Group's leverage</i> | | | | |
| Asset to Equity Ratio | $\frac{\text{Total Assets}}{\text{Equity}}$ | 2.28:1 | 2.41:1 | 2.31:1 |
| <i>Shows how the company's leverage (debt) was used to finance the firm</i> | | | | |
| Interest Rate Coverage | $\frac{\text{EBIT}}{\text{Interest Expense}}$ | 7.99:1 | 3.77:1 | 2.96:1 |
| <i>Shows how easily a company can pay interest on outstanding debt</i> | | | | |
| Return on Average Stockholders' Equity | $\frac{\text{Net Income}}{\text{Average Equity}}$ | 7.28% | 3.83% | 1.52% |
| <i>Reflects how much the Group's has earned on the funds invested by the stockholders</i> | | | | |
| Return on Assets | $\frac{\text{Net Income}}{\text{Total Assets}}$ | 3.18% | 1.57% | 0.64% |
| <i>Measure the ability to utilize the Group's assets to create profits</i> | | | | |
| Net Profit Margin | $\frac{\text{Net Income}}{\text{Total Revenues}}$ | 6% | 3% | 1% |
| <i>Shows how much profit is made for every peso of revenue</i> | | | | |
| Asset Turnover | $\frac{\text{Total Revenues}}{\text{Total Assets}}$ | 0.53 | 0.55 | 0.76 |
| <i>Shows efficiency of asset used in Operations</i> | | | | |
| Return on Equity | $\frac{\text{Net Income} / \text{Total Revenues} \times \text{Total Revenues}}{\text{Total Assets} \times \text{Total Assets} / \text{Total Equity}}$ | 7.0% | 4.0% | 2.0% |
| <i>Shows how much the business returns to the stockholders for every peso of equity capital invested</i> | | | | |

- Current ratio is at 1.07 as of the period ended September 2017 compared with 1.11 as of December 2016. This is attributable to the increased borrowings of the Group.
- Solvency ratio at 0.09 is slightly higher compared to September 2016 at 0.06 as the Group continues to pay down its maturing obligations.
- Debt-to-equity ratio has improved from 1.41 in September 2016 to 1.28 as of September 2017.
- Asset to equity ratio went down from 2.41 as of September last year to 2.28 this period as retained earnings increased due to strong income from EEI.
- Interest rate coverage ratio is higher at 7.99 times compared to last year due to increased earnings before interest and taxes of the construction and car dealerships segments.
- Return on equity is at 7.28% against 3.83% as of September 2016. This is due to higher net income posted by the Group against same period of last year.
- Return on assets (ROA) improved from 1.57% to 3.18% this year. This is attributable to improved performance of the construction and car dealerships segments.
- Net profit margin is at 6%, which is attributable to higher equity in net earnings. ARCC registered a net income this year against net loss last year.
- Asset turnover is 0.53 times compared to 0.55 times as of September 2016 because of lower revenues and higher receivables of the Group.
- Return on average stockholders' equity improved from 4% to 7% due to higher earnings posted by EEI against same period of last year.

The above-mentioned ratios are applicable to the Group (Parent Company and its majority owned subsidiaries) as a whole.

PART II – OTHER INFORMATION

Item 3: 3Q 2017 DEVELOPMENTS

Significant developments during the first quarter of 2017 were briefly discussed in Item II: *Management Discussion and Analysis of Financial Condition and Results of Operations*.

Item 4: OTHER NOTES TO FINANCIAL STATEMENTS

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

THE HOLDING COMPANY

Executive management monitors the business performance of companies in the portfolio very closely. Through regular review of actual results compared to budgets and previous year performance, HI is able to determine if the Group is able to perform as expected.

In particular, management watches operating metrics very closely and how these impact the financial metrics. By monitoring operating metrics 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 assisting portfolio companies in identifying growth opportunities in existing businesses; assisting portfolio businesses by helping them develop new products and services that increase organic growth; or buying entire companies or controlling stakes in companies which show high growth potential and the returns of which meet hurdle rates.

Risks at the Holding Company Level

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

a. Interest Rate Risk

HI 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. When possible, HI will use lower cost debt to pay down higher cost debt.

HI does not have a practice of speculating on the direction of interest rates. The main objective is to lower financing costs as much as possible.

b. Foreign Exchange Risk

HI's exposure to foreign exchange risk is minimal. The company have excess funds denominated in U.S. dollars. Where possible and when warranted, it is the company practice to pay dollar liabilities with its excess dollar funds.

The company does not speculate on the direction of foreign exchange rates.

c. Liquidity Risk

HI seeks to manage its liquidity to be able to service maturing debts, finance capital requirements, and pay for existing operations. HI maintains a consistent level of funding to be able to pay for its day-to-day operations. HI constantly monitors its projected cash flows through risk meetings that occur on a weekly basis. When major acquisitions are identified, HI assesses market conditions to be able to source the funding as inexpensively as possible.

d. Credit Risk

HI's holding of cash and short term securities exposes the company to the credit risk of the counterparty. Given HI's diverse body of counterparties, it does not have a concentrated credit risk exposure.

The Group'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.

e. Price Risk

Available for sale (AFS) financial instruments are held and are subject to price fluctuation. These securities are vulnerable 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.

HI has non-core holdings in its AFS investments. For its non-core holdings, HI's investment policy is to monitor developments in the market and to monitor these securities very closely. The company regularly assesses the opportunity cost of holding these securities. When a more appropriate use of the funds is determined, it is HI's intention to liquefy these investments and put the excess cash to work.

f. Business Continuity Risk

HI 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 firm works to make sure that its business continuity plans are up to date

g. Succession Risk

HI knows that people are an important resource and that its executive management team is a significant contributor to the value-adding activities of the Company. In order to preserve the management chain of succession and institutional knowledge that comes with it, each member of executive management is accountable for putting a succession plan in place that includes the identification and development of his or her successor.

The respective company presidents, general managers, and chief risk officers of each portfolio company are accountable for making sure that their risk management policies line up with the risk management policies of the holding company. Group internal audit (GIA) provides valuable input to risk management support by conducting regular business unit audits that also incorporate the evaluation of risk management practices.

h. Competition

HI is subject to competition in the segments in which each of its portfolio companies operates. *Please refer to the related section of each business; there is also a discussion of risks each portfolio company faces.*

HI faces competition in some cases when it is in the process of bidding on prospective deals. There are other holding companies or business groups that are very active in expanding their Philippine portfolio of earning assets. In some situations, HI might find itself bidding against such competitors when prime assets of businesses are for sale.

Risk Factors at the Car Dealerships

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: levels of new and used vehicle sales; 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 and Isuzu

Our dealerships operate under a franchise agreement with Honda and with Isuzu, 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

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.

While we have insurance for many of these risks, we retain risk relating to certain of these perils and certain perils are not covered by our insurance.

c. Market Risk

- Overall success of the automotive industry and in particular on the success of Honda and Isuzu

Significant adverse events that interrupt vehicle or parts supply to our dealerships, would likely have a significant and adverse impact on the industry as a whole, including us, particularly if the events relate to any of the manufacturers whose franchises generate a significant percentage of our revenue.

- Competition

We generally compete with: other franchised automotive dealerships in our markets; private market buyers and sellers of used vehicles; local service and repair shops and parts retailers; and automotive manufacturers (those that own their own dealerships).

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 related profits

d. Liquidity Risk and Interest Rate Risk

- To the Company

Our operating cash flows are supplemented by a variety of credit facilities. We are dependent on the continued availability of these sources of funds. The car divisions access credit through the lines available to House of Investments, Inc. although Honda Cars Kalookan, Inc. has its own lines with Banks.

A sustained or significant decrease in our operating cash flows could lead to increased dependence on debt which may also increase our debt service requirements.

The interest rates 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 financed. Availability of credit to 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.

In particular, the anticipated amendments to the tax regulations sees an increase in the Excise Taxes on vehicles sold, which may result in a decline in sales of some models.

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.

Risk Factors at the Construction Sector

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

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

a. Geopolitical risk and opportunities

Description: The changing of the Philippines' government including the changes in the political situation of other countries particularly the US and China with economies related to ours may have effects on the construction markets where the company has interests – particularly:

- Some uncertainty in the BPO industry (which affects demand for building used as BPO offices) as most of the demand for such comes from the US. President Trump intends to bring back jobs to their country under his America First policy.
- It is expected that higher number of infrastructure projects will be bid out as the current government made its plans known that development of the country's infrastructure is one of its main objective.

- Though it is anticipated that a significant number of Chinese investors will be putting in money in the country, most of which might partner with the government to do new infrastructure projects. We must assess carefully which ones to engage.

- Japan is seriously looking at infrastructure and other business venture in the Philippines

Mitigating Measures:

- With possible reduction of building projects for the BPO industry, the company will be selective in dealing with BPO building clients.
- The company is studying how to tap into this expected increase in infrastructure projects and are exploring possible partnerships to successfully handle the demands of such projects also to diversify the risks.
- The company will perform due diligence on Chinese investors prior to entering into any partnership. Contracts related to such partnership will be thoroughly reviewed to ensure its fairness.
- Explore possible alliances with Japanese EPCs we know.

b. Business concentration risk

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

Mitigating Measures:

- Cement existing collaboration with major customers to expand business opportunities.
- Engaging other reputable conglomerates in the construction market.
- Redefine risk bearing capacity and risk appetite.
- Enhance contracting capacity for possible ramping up of participation in PPP projects and direct government contracts.

c. Credit risk

Description: As the company's backlog of contracts is at an all-time high, the amount of receivables from our clients has also increased. The efficiency at which these receivables are collected has a significant effect on the financing requirements and interest expense of the company.

Mitigating Measures:

- Efforts have been done since 2016 to facilitate faster collection of receivables.
- Initiate due diligence of new clients during tender stage as part of KYC.
- Establishing a single customer exposure limit is being explored which is meant to align the company exposure from its receivables.

d. Interest rate risk

Description: Interest rate has started to climb and will continue to increase over the next 3 years. Aside from higher financing cost, higher interest rate will decelerate economic growth, which could slowdown demand for construction services.

Mitigating Measures:

- The company will continue to expand the list of possible banking relationships to obtain the optimal interest rate offers.
- Efforts to reduce debt levels, as long as it does not hamper our capability to perform, are underway (such as reducing credit risk as mentioned above).

- Be cautious in the slowdown in other parts of the construction market e.g. BPO and condominium building.

e. Competition risk

Description: The boom in infrastructure and the continuing ASEAN integration are anticipated to encourage more competition in the Philippine construction industry, particularly from new foreign competitors.

Mitigating Measures:

- The company is constantly finding ways to make our services more competitive whether it be by way of improving our efficiency, looking for new ways to do our work better, and explore partnerships/alliances that will help us serve the need of the market better.
- The demand for infrastructure is not limited to the Philippines but is the whole of ASEAN region. The company is exploring the possibility of bringing our services to other parts of the ASEAN region to tap this demand.
- Turn foreign competition into partners. Locally, foreign contractors cannot do the job themselves. They always need a local partner to get things done. Over the long run, the relationship forged with partnership will help EEI work outside of the country.

f. Cyber security risk

Description: Risk of cyber attacks is on the rise around the world. This threat may lead to data fraud/theft violating data privacy rights and locking of data which may cause disruption of operations.

Mitigating Measures:

- Assessment of the company vulnerability to cyber attacks has been carried out. The gaps in information security are already identified and the necessary assets to close such gaps have already been purchased and are currently being installed.
- Obtaining Cyber insurance is also being explored and design of the policy is underway.

g. Succession planning

Description: The Company needs to plan for the next line of managers that will succeed the incumbents who are at or near their retirement.

Mitigating Measures:

The company has been running, for a few years now, extensive training programs to prepare the successors of the retiring managers.

h. Operational risks

Description: The company's construction projects can generally be divided into 3 types: buildings, infrastructure and electromechanical. Whatever the type of project, the operational risks that the company encounters can be categorized under the following types of risks:

- Estimation errors
- Issues with manpower
- Issues with equipment or tools
- Issues with materials
- Inefficiencies in EEI's performance during project execution
- Inefficiencies in client's and their nominated subcontractors' performance during project execution
- Site conditions that may affect the work
- Actions by third parties (i.e. the public at large or government) that may affect the work

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

Mitigating Measures:

- Increase awareness of project risk owners of the identification of risk and its impact on the project.
- Develop probabilistic forecasting capabilities to enable improved management of these external factors.
- Efforts to enhance the monitoring of project performance including the possible effects of all type of risk exposures are being undertaken and are expected to further improve the company's anticipation of risks and response.
- Future construction contracts are being negotiated by the company to contain provisions that either transfers these externalities or at the very least provides a means of spreading or minimizing the risk.
- Risk mitigation also happens during the tender stage where EEI can decide to pursue or ignore a tender. Creation of rule of thumbs during project execution to contain losses when the risk materializes.

i. Saudi country risk

Description: A relatively sizable operation of the company is situated in the Kingdom of Saudi Arabia (KSA) and the uncertainties in that area is of some concern. The prevailing low oil prices and threat of ISIS continue to be factors that affect the operations there.

Mitigating Measures:

- There are indications that oil prices may recover but not to the high levels that were experienced before the crash in prices. Nevertheless, this is seen as a positive indicator that business prospects in KSA may soon improve as the oil prices recovers. As for now, the company will ensure that existing projects earn their profit objectives.
- Focus on sustainable operations and maintenance contracts where margins are higher.
- Repatriation plans has long been prepared and is ready to be deployed if peace and order situation requires it.
- Developing new international markets particularly in the ASEAN region will fill the void due to slowdown in Saudi Arabia.

Strategies to contain and mitigate these risks are formulated during Risk Management Council and Risk Management Committee meetings. In addition, the various risks that had been previously identified and the corresponding risk treatments are reviewed, reassessed, and revised accordingly.

The following risk management initiatives were undertaken in 2016:

- Efforts have been made to further improve the capabilities of the risk management function – from deterministic forecasting of the business future performance to probabilistic forecasting.
- Improvement of the risk management framework to suit this objective, designing the specific procedures to operationalize the framework, initiating the procurement of predictive tools and identifying the data requirements were also done.
- The final draft of the company's revised ERM company manual has already been done and is just awaiting the approval of the Risk Management Committee.
- The risk appetite and risk tolerance aligned with company's strategy was also drafted and also awaiting the approval of the Risk Management Committee.

- Setting up of Key Performance Indicators (KPIs) and Key Risk Indicators (KRIs) to measure and monitor performance with strategic goals was also started;
- Efforts to enhance data collection, proper storage in database, and other information systems management improvements were also started to support the data requirements of initiatives.

Risk Factors at the Education Sector

- 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 CHED and by the Department of Education (DepEd), depending on the program offerings. In addition, MCI and MCL are also accredited by PACUCOA, the leading accreditation body in the Philippines for colleges and universities. MCI is also accredited by the Accreditation Board of Engineering & Technology (ABET).

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 materially decrease, which would have an adverse impact to our profits and cash flow.

- Tuition Fee.

The Commission on Higher Education (CHED) and the Department of Education regulates tuition increases at the university level and the secondary level, respectively, and routinely sets maximum limits on percentage increases in tuition fees. MCI, MCLI, and MHSS are subject to maximum percentage increase guidelines issued by both the CHED and the DepEd, as applicable. The inability of MCI and MCL to increase tuition fees to cover higher operating costs may pose a risk to profits and cash flows over time.

- Changes in regulations.

The DepEd K+12 program increases the total number of years of education at the pre-university level from 10 years to 12 years. The addition of two extra years of schooling prior to the university level means universities and colleges will end up with two academic years of no entering freshman classes.

The reduction of the student population because of the K+12 program poses a serious short to medium-term risk to IPO profits and cash flows. MCI, MCL and MHSS is offering senior high school starting 2016 to cushion the effects of the K + 12 Program. However, these measures may not offset the entire impact of a loss of two freshman classes.

- 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. The schools compete against an impressive array of non-profit and for-profit schools. The competitors in the elite school level bring a formidable set of resources to the battle: money, facilities,

history, tradition, an active alumni base, a spirited student body, established brands, and large marketing budgets.

While Mapua is an established brand, it also has its own impressive set of resources. It continues 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 quarter execute a Promissory Note and are expected to settle their accounts prior to the start of the next academic quarter. In certain cases, students who have signed promissory notes cannot pay these notes.

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 operations of the Mapúa schools may be hampered by the following:

- **Transportation Strikes.** In the event of a transportation strike, students, faculty, and the admin staff are unable to come to the campuses affected. Classes are normally suspended during these events.
- **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.
- **Union.** MCI has two unions, Faculty Association of MIT (FAMIT) and MIT Labor Union (MITLU). A strike by any of the two unions would obstruct operations.
MCI is bound by the collective bargaining agreement (CBA) signed between the institution and the two unions.
MCI 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 MCI and lower the expected value of its profit and cash flows over time.
In the event that a CBA is not negotiated successfully or there is an issue that results in labor unrest, it could have a material adverse impact on the operations of MCI.
In the event of calamities, strikes, and the like that could hamper the operations of the schools, Mapúa has tested and instituted the use of Blackboard, its learning management system that is capable of conducting real-time online classes.

e. Funding Risk

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; or even buying other schools. Generally, the schools' rely on operating cash flows for its needs.

When insufficient, the schools will need to raise funding. Fund raising can arise from the sale of equity, selling debt securities, or borrowing from debt facilities.

If capital is raised through borrowings, the Mapúa schools will also be subject to interest rate risk. An increase in interest rates may also adversely impact our profitability.

f. Market Risk and Political Risk

- **Demographics**

In the event that adverse macro-economic or micro-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 they decide to transfer to another school, our enrolment may be negatively impacted and this will have a negative effect on our profitability.

- International Relations

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 is a key element to avoid any serious disruption in the size and frequency of inward-bound overseas remittances.

Risk Factors at the Property Management and Project Management

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 asset values, property sales and leasing activities. 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

If we experience defaults by multiple clients or counterparties, it could adversely affect our business. We could be adversely affected by the actions and deteriorating financial condition and results of operations of certain of our clients or counterparties if that led to losses or defaults by one or more of them, which in turn, could have a material adverse effect on our results of operations and financial condition.

Any of our clients may experience a downturn in their business that may weaken their results of operations and financial condition. As a result, a client may fail to make payments when due, become insolvent or declare bankruptcy. Any client bankruptcy or insolvency, or the failure of any client to make payments when due, could result in material losses to our company. A client bankruptcy would delay or preclude full collection of amounts owed to us.

c. Operational Risk

- Loss Of Key Personnel

Our success depends upon the retention of our senior management, as well as our ability to attract and retain qualified and experienced employees. The departure of any of our key employees or the loss of a significant number of key revenue producers, if we are unable to quickly hire and integrate qualified replacements, could cause our business, financial condition and results of operations to suffer.

In addition, the growth of our business is largely dependent upon our ability to attract and retain qualified support personnel in all areas of our business. Competition for these personnel is intense and we may not be able to successfully recruit, integrate or retain sufficiently qualified personnel. If we are unable to attract and retain these qualified personnel, our growth may be limited and our business and operating results could suffer.

- Natural calamities and disasters.

Our operations can be hampered by property losses (both ours and our clients') 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.

While we and our clients have insurance for many of these risks, we retain risk relating to certain of these perils and certain perils are not covered by our insurance.

d. Litigation Risk

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

In our property management business, we hire and 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, occupier and property/agency leasing, and property sales. We face competition from other commercial real estate 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.

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.

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.

In our role as a property or facility manager, we could be held liable as an operator for such costs. This liability may be imposed without regard to the legality of the original actions and without regard to whether we knew of, or were responsible for, the presence of the hazardous or toxic substances.

If we fail to disclose environmental issues, we could also be liable to a buyer or lessee of a property. If we incur any such liability, our business could suffer significantly as it could be difficult for us to sell such properties. Additionally, liabilities incurred to comply with more stringent future environmental requirements could adversely affect any or all of our lines of business.

Risk Factors at the Security Agency

a. Regulatory Risks

We are subject to a large number 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.

b. Operational Risk

- Loss of Key Management Personnel

Our success depends to a significant extent upon the continuing efforts and abilities of our key executive officers and senior management personnel several of whom have worked

in our industry for decades. The loss or unavailability of any such key executives or senior management personnel, due to retirement, resignation or otherwise could have a material adverse effect on our business, financial condition and results of operations.

- **Catastrophic Events**

We might be exposed to potential claims for catastrophic events, such as acts of terrorism, or based upon allegations that we failed to perform our services in accordance with contractual or industry standards. We believe we carry enough insurance coverage to cover these possible adverse events. In the event that our losses from an event are larger than our coverage, we will have a negative impact on our financial condition and performance results.

c. **Competition**

- **Ability to attract new customers and Loss of large customers**

Our assumptions regarding projected results depend largely upon our ability to retain substantially all of our current customers and obtain new customers. Retention is affected by several factors including, but not limited to, regulatory limitations, the quality of the services that we provide, the quality and pricing of comparable services offered by competitors and continuity of our management and non-management personnel. Our ability to gain or maintain sales, gross margins and/or employees may be limited as a result of actions by our competitors.

Security services companies such as ours face the risk of losing customers as a result of the expiration or termination of a contract, or as a result of a merger or acquisition or business failure involving our large customers, or the selection by such customers of another provider of security services.

We generate a significant portion of our revenues from large security services customers. We cannot assure you that we will be able to retain all or a substantial portion of our long-term or significant customers or develop relationships with new significant customers in the future.

- **Recruitment and Retention**

Our business involves the labor-intensive delivery of security 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 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.

Additionally, 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.

- **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.

d. **Liability**

In many cases, our security services contracts require us to indemnify our customers or may otherwise subject us to additional liability for events occurring on customer premises. We maintain insurance programs that we believe provide appropriate coverage for certain liability risks, including personal injury, death and property damage.

Insurance may not be adequate to cover all potential claims or damages. If a plaintiff brings a successful claim against us for punitive damages in excess of our insurance coverage, then we could incur substantial liabilities that would have a material adverse effect on our business, financial condition and results of operations.

e. Credit Risk and Collection Efficiency

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 major impact on the availability of funding for our day to day operations. Any default by one or more of our significant customers due to bankruptcy or otherwise could have a material adverse impact on our liquidity, results of operations and financial condition.

f. Changes in Technology

Technological change that provides alternatives to security officer services or that decrease the number of security officers required to effectively perform their services may decrease our customers' demand for our security officer services.

If such technologies become available generally for use in the industry, these technologies may be proprietary in nature and not be available for use by us in servicing our customers. Even if these technologies are available for use by us, we may not be able to successfully integrate such technologies into our business or we may be less successful in doing so than our competitors or new entrants in the industry. A decrease in the demand for our security officer services or our inability to effectively utilize such technologies may adversely affect our business, financial condition and results of operations.

EXHIBIT 1

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

**Interim Condensed
Unaudited Consolidated Financial Statements**

**September 30, 2017 and 2016 (Unaudited)
and
December 31, 2016 (Audited)**

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

| | Unaudited 30-Sep-17 | Audited 31-Dec-16 |
|---|------------------------|----------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents (Note 6) | ₱2,035,168,947 | ₱2,393,201,221 |
| Financial asset at fair value through profit or loss | 8,429,668 | 8,339,643 |
| Accounts receivable (Note 8) | 8,782,648,069 | 8,071,471,679 |
| Current portion of loans receivable (Note 7) | 12,447,754 | 11,449,015 |
| Costs and estimated earnings in excess of billings on uncompleted contracts | 4,181,466,270 | 4,261,827,547 |
| Receivables from related parties | 860,380,570 | 54,371,552 |
| Inventories (Note 9) | 1,294,051,502 | 1,566,727,416 |
| Prepaid expenses and other current assets (Note 10) | 1,107,128,289 | 1,248,965,683 |
| Total Current Assets | 18,281,721,069 | 17,616,353,756 |
| Noncurrent Assets | | |
| Available-for-sale (AFS) financial assets (Note 11) | 482,476,194 | 522,084,241 |
| Loans receivable - net of current portion (Note 7) | 4,124,114 | 3,875,640 |
| Investments in associates and joint ventures (Note 12) | 4,153,974,624 | 3,722,070,350 |
| Investment properties (Note 15) | 201,106,817 | 207,814,597 |
| Property and equipment (Note 13) | | |
| At revalued amount | 4,955,591,373 | 4,955,173,600 |
| At cost | 6,424,668,522 | 5,774,235,031 |
| Goodwill (Note 14) | 471,357,459 | 471,357,459 |
| Retirement asset | 41,977,510 | 39,949,093 |
| Deferred tax assets - net | 116,260,318 | 120,800,051 |
| Other noncurrent assets - net (Note 16) | 442,469,848 | 254,999,838 |
| Total Noncurrent Assets | 17,294,006,779 | 16,072,359,900 |
| Total Assets | ₱35,575,727,848 | ₱33,688,713,656 |
| LIABILITIES AND EQUITY | | |
| Current Liabilities | | |
| Loans payable (Note 18) | ₱5,710,000,000 | ₱4,100,000,000 |
| Accounts payable and other current liabilities (Note 17) | 5,564,059,871 | 6,472,908,749 |
| Current portion of long-term debt (Note 19) | 491,853,300 | 491,748,610 |
| Income tax payable | 66,077,691 | 19,790,007 |
| Due to related parties | 152,833,063 | 127,809,141 |
| Billings in excess of costs and estimated earnings on uncompleted contracts | 4,839,351,966 | 4,622,231,447 |
| Unearned tuition fees | 280,961,651 | 53,041,443 |
| Customers' deposits | 31,322,549 | 16,641,303 |
| Total Current Liabilities | 17,136,460,091 | 15,904,170,700 |
| Noncurrent Liabilities | | |
| Long-term debt - net of current portion (Note 19) | 2,302,378,994 | 2,671,946,840 |
| Retirement liability | 144,263,970 | 147,815,273 |
| Deferred tax liabilities - net | 356,095,943 | 358,892,950 |
| Total Noncurrent Liabilities | 2,802,738,907 | 3,178,655,063 |
| Total Liabilities | ₱19,939,198,998 | ₱19,082,825,763 |

(Forward)

| | Unaudited | Audited |
|--|------------------------|-----------------|
| | 30-Sep-17 | 31-Dec-16 |
| Equity | | |
| Attributable to equity holders of the Parent Company | | |
| Preferred stock (Note 21) | ₱260,264,727 | ₱280,802,820 |
| Common stock (Note 21) | 921,836,572 | 921,836,572 |
| Additional paid-in capital | 154,578,328 | 154,578,328 |
| Equity reserve on acquisition of noncontrolling interest | (179,954,180) | (179,954,180) |
| Revaluation increment on land - net (Note 13) | 1,106,401,670 | 1,106,401,670 |
| Cumulative translation adjustments | 171,518,796 | 159,864,897 |
| Net unrealized gain on AFS financial assets (Note 11) | 90,258,381 | 79,859,050 |
| Remeasurement loss on defined benefit plans | (2,832,302) | (2,832,302) |
| Retained earnings (Note 20) | 8,226,270,490 | 7,529,455,996 |
| | 10,748,342,482 | 10,050,012,851 |
| Noncontrolling interests (Note 28) | 4,888,186,368 | 4,555,875,042 |
| Total Equity | 15,636,528,850 | 14,605,887,893 |
| | ₱35,575,727,848 | ₱33,688,713,656 |

See accompanying Notes to Consolidated Financial Statements.

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

| | July 1 to September 30 | | |
|--|-------------------------------|----------------|----------------|
| | 2017 | 2016 | 2015 |
| REVENUES | | | |
| Sales of services - net | ₱3,829,861,808 | ₱3,967,074,883 | ₱5,530,732,919 |
| Sales of goods - net | 2,209,174,620 | 1,872,877,218 | 2,090,094,164 |
| School and related operations | 529,613,621 | 578,535,756 | 662,872,156 |
| Interest and discounts | 2,456,041 | 2,703,815 | 2,625,055 |
| Dividends | 9,712 | 3,953,979 | 26,666,714 |
| | 6,571,115,802 | 6,425,145,651 | 8,312,991,008 |
| COSTS OF SALES AND SERVICES (Note 24) | | | |
| Cost of services (Note 25) | 3,385,546,632 | 3,354,680,196 | 4,667,264,348 |
| Cost of goods sold (Note 25) | 2,072,341,897 | 1,773,209,922 | 1,966,987,487 |
| Tuition and Other Fees (Notes 25 and 26) | 320,153,106 | 309,280,520 | 292,257,238 |
| | 5,778,041,635 | 5,437,170,638 | 6,926,509,073 |
| GROSS PROFIT | 793,074,167 | 987,975,013 | 1,386,481,935 |
| OTHER INCOME - (Note 24) | 94,324,278 | 117,887,894 | 102,861,991 |
| EQUITY IN NET EARNINGS (LOSSES) OF ASSOCIATES AND JOINT VENTURES (Note 12) | 92,440,005 | (675,311,180) | (768,967,655) |
| GENERAL AND ADMINISTRATIVE EXPENSES (Note 27) | (552,509,370) | (519,070,937) | (497,977,868) |
| INTEREST AND FINANCE CHARGES | (68,380,917) | (68,388,567) | (70,713,285) |
| INCOME BEFORE INCOME TAX | 358,948,163 | (156,907,777) | 151,685,118 |
| PROVISION FOR INCOME TAX | (74,880,076) | 38,861,785 | (21,436,482) |
| NET INCOME | ₱284,068,087 | (₱118,045,992) | ₱130,248,636 |
| Net income attributable to: | | | |
| Equity holders of the Parent Company | ₱189,851,747 | ₱ 16,365,241 | ₱191,267,829 |
| Noncontrolling interest in consolidated subsidiaries | 94,216,340 | (134,411,232) | (61,019,193) |
| | ₱284,068,087 | (₱118,045,991) | ₱130,248,636 |
| EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY (Note 23) | | | |
| BASIC | ₱0.31 | ₱0.03 | ₱0.31 |
| DILUTED | ₱0.24 | ₱0.02 | ₱0.23 |

See accompanying Notes to Consolidated Financial Statements.

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

| | July 1 to September 30 | | |
|---|------------------------|-----------------------|---------------------|
| | 2017 | 2016 | 2015 |
| NET INCOME | ₱284,068,087 | (₱118,045,992) | ₱130,248,635 |
| OTHER COMPREHENSIVE INCOME | | | |
| <i>Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:</i> | | | |
| Cumulative translation adjustments | 10,630,121 | 51,529,999 | 112,451,565 |
| Net unrealized gain (loss) on available-for-sale securities (Note 11) | (2,499,615) | (13,968,125) | (5,301,706) |
| <i>Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods</i> | | | |
| Remeasurement gains (losses) on net retirement liability | — | — | (2,174,566) |
| Total other comprehensive income (loss) | 8,130,506 | 37,561,874 | 104,975,293 |
| TOTAL COMPREHENSIVE INCOME | ₱292,198,593 | (₱80,484,118) | ₱235,223,928 |
| Total comprehensive income attributable to: | | | |
| Equity holders of the Parent Company | ₱ 193,787,699 | ₱30,870,402 | ₱248,470,882 |
| Noncontrolling interest in consolidated subsidiaries | 98,410,894 | (111,354,520) | (13,247,953) |
| | ₱292,198,593 | (₱80,484,118) | ₱235,222,929 |

See accompanying Notes to Consolidated Financial Statements.

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

| | January 1 to September 30 | | |
|--|----------------------------------|-----------------|-----------------|
| | 2017 | 2016 | 2015 |
| REVENUE | | | |
| Sales of services - net | ₱10,563,126,845 | ₱11,665,913,169 | ₱14,924,895,490 |
| Sales of goods - net | 6,974,531,318 | 5,752,107,702 | 5,221,148,280 |
| School and related operations | 1,450,734,487 | 1,665,867,927 | 1,638,674,637 |
| Interest and discounts | 7,528,770 | 7,977,283 | 8,805,373 |
| Dividends | 1,508,180 | 24,184,990 | 44,897,402 |
| | 18,997,429,600 | 19,116,051,071 | 21,838,421,182 |
| COSTS OF SALES AND SERVICES | | | |
| Cost of services (Note 25) | 9,075,143,550 | 9,919,609,408 | 12,899,569,177 |
| Cost of goods sold (Note 25) | 6,583,329,285 | 5,415,432,559 | 4,887,635,585 |
| Cost of tuition and other fees (Notes 25 and 26) | 943,837,258 | 924,922,950 | 860,726,491 |
| | 16,602,310,093 | 16,259,964,917 | 18,647,931,253 |
| GROSS PROFIT | 2,395,119,507 | 2,856,086,154 | 3,190,489,929 |
| OTHER INCOME - Net (Note 24) | 418,229,133 | 323,174,229 | 258,011,583 |
| EQUITY IN NET EARNINGS (LOSSES) OF ASSOCIATES AND JOINT VENTURES (Note 12) | 427,643,456 | (733,275,685) | (569,104,192) |
| GENERAL AND ADMINISTRATIVE EXPENSES (Note 27) | (1,643,645,123) | (1,572,587,439) | (1,420,994,042) |
| INTEREST AND FINANCE CHARGES | (199,943,827) | (232,066,842) | (208,549,773) |
| INCOME BEFORE INCOME TAX | 1,397,403,146 | 641,330,417 | 1,249,853,505 |
| PROVISION FOR INCOME TAX | (296,781,880) | (91,848,273) | (246,329,240) |
| NET INCOME | ₱1,100,621,266 | ₱549,482,144 | ₱1,003,524,265 |
| Net income (loss) attributable to: | | | |
| Equity holders of the Parent Company | ₱757,266,804 | ₱519,457,741 | ₱757,574,190 |
| Noncontrolling interests | 343,354,462 | 30,024,403 | 245,950,075 |
| | ₱1,100,621,266 | ₱549,482,144 | ₱1,003,524,265 |
| EARNINGS PER SHARE (Note 23) | | | |
| BASIC | ₱1.1962 | ₱0.8090 | ₱1.1911 |
| DILUTED | ₱0.9592 | ₱0.6429 | ₱0.9085 |

See accompanying Notes to Consolidated Financial Statements.

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

| | January 1 to September 30 | | |
|---|---------------------------|---------------------|-----------------------|
| | 2017 | 2016 | 2015 |
| NET INCOME | ₱1,100,621,266 | ₱549,482,144 | ₱1,003,524,265 |
| OTHER COMPREHENSIVE INCOME | | | |
| <i>Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:</i> | | | |
| Cumulative translation adjustments | 21,438,373 | 43,400,623 | 139,617,357 |
| Net unrealized gain (loss) on available-for-sale securities (Note 11) | 15,052,446 | (5,132,507) | (13,514,208) |
| <i>Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods</i> | | | |
| Remeasurement gains (losses) on net retirement liability | — | — | (3,463,457) |
| Total other comprehensive income (loss) | 36,490,819 | 38,268,116 | 122,639,692 |
| TOTAL COMPREHENSIVE INCOME | ₱1,137,112,085 | ₱587,750,260 | ₱1,126,163,957 |
| Total comprehensive income attributable to: | | | |
| Equity holders of the Parent Company | ₱779,320,034 | ₱537,395,488 | ₱827,507,548 |
| Noncontrolling interest in consolidated subsidiaries | 357,792,051 | 50,354,772 | 298,656,409 |
| | ₱1,137,112,085 | ₱587,750,260 | ₱1,126,163,957 |

See accompanying Notes to Consolidated Financial Statements.

| | Attributable to the Group | | | | | | | | | | | |
|---|---------------------------------|------------------------------|----------------------------------|--|---|---|--|---|----------------------|-----------------|---|-----------------|
| | Preferred Stock (Note 20) | Common Stock (Note 20) | Additional Paid-in Capital | Premium on Acquisition of Noncontrolling Interest | Revaluation Increment on Land - Net | Cumulative Translation Adjustment | Net Accumulated Unrealized Gain on Available-for- Sale Securities | Remeasurement losses on Net Retirement Liability | Retained Earnings | Total | Attributable to Noncontrolling Interest | Total |
| For the Period Ended September 30, 2017 | | | | | | | | | | | | |
| Balances as at January 1, 2017 | ₱280,802,820 | ₱921,836,572 | ₱154,578,328 | (₱179,954,180) | ₱1,106,401,670 | ₱159,864,897 | ₱79,859,050 | (₱2,832,302) | ₱7,529,455,996 | ₱10,050,012,851 | ₱4,555,875,042 | ₱14,605,887,893 |
| Redemption of preferred shares | (20,538,093) | - | - | - | - | - | - | - | - | - | - | (20,538,093) |
| Acquisition of noncontrolling interest | 260,264,727 | 921,836,572 | 154,578,328 | (179,954,180) | 1,106,401,670 | 159,864,897 | 79,859,050 | (2,832,302) | 7,529,455,996 | 10,029,474,758 | 4,575,875,042 | 14,605,349,800 |
| Net income | - | - | - | - | - | - | - | - | 757,266,804 | 757,266,804 | 343,354,462 | 1,100,621,266 |
| Other comprehensive income | - | - | - | - | - | 11,653,899 | 10,399,331 | - | - | 22,053,230 | 14,437,589 | 36,490,819 |
| Total comprehensive income | - | - | - | - | - | 11,653,899 | 10,399,331 | - | 757,266,804 | 779,320,034 | 357,792,051 | 1,137,112,085 |
| Dividends declared by Parent Company | - | - | - | - | - | - | - | - | - | - | - | - |
| Dividends declared by subsidiaries | - | - | - | - | - | - | - | - | (60,452,310) | (60,452,310) | (45,480,725) | (60,452,310) |
| Total dividends declared | - | - | - | - | - | - | - | - | (60,452,310) | (60,452,310) | (45,480,725) | (60,452,310) |
| Balances as at September 30, 2017 | ₱260,264,727 | ₱921,836,572 | ₱154,578,328 | (179,954,180) | ₱1,106,401,670 | ₱171,518,796 | ₱90,258,381 | (₱2,832,302) | ₱8,226,270,490 | ₱10,748,342,482 | ₱4,888,186,368 | ₱15,636,528,850 |
| For the Period Ended September 30, 2016 | | | | | | | | | | | | |
| Balances as at January 1, 2016 | ₱310,729,869 | ₱921,836,572 | ₱154,578,328 | (₱179,954,180) | ₱876,113,387 | ₱100,057,558 | ₱86,516,972 | (₱3,113,753) | ₱7,190,445,946 | ₱9,429,186,917 | ₱4,745,893,595 | ₱14,175,080,512 |
| Redemption of preferred shares | (22,726,977) | - | - | - | - | - | - | - | - | (22,726,977) | - | (22,726,977) |
| Acquisition of noncontrolling interest | - | - | - | - | - | - | - | - | - | - | - | - |
| Net income | 288,002,892 | 921,836,572 | 154,578,328 | (179,954,180) | 876,113,387 | 100,057,558 | 86,516,972 | (3,113,753) | 7,190,445,946 | 9,406,459,940 | 4,745,893,595 | 14,152,353,535 |
| Other comprehensive income | - | - | - | - | - | - | - | - | 519,457,741 | 519,457,741 | 30,024,404 | 549,482,145 |
| Total comprehensive income | - | - | - | - | - | 23,592,578 | (5,654,829) | - | 519,457,741 | 179,937,749 | 20,330,368 | 38,268,117 |
| Dividends declared by Parent Company | - | - | - | - | - | 23,592,578 | (5,654,829) | - | 519,457,741 | 537,395,490 | 50,354,772 | 587,750,262 |
| Dividends declared by subsidiaries | - | - | - | - | - | - | - | - | (61,182,672) | (61,182,672) | - | (61,182,672) |
| Total dividends declared | - | - | - | - | - | - | - | - | - | - | (140,314,583) | (140,314,583) |
| Balances as at September 30, 2016 | ₱288,002,892 | ₱921,836,572 | ₱154,578,328 | (179,954,180) | ₱876,113,387 | ₱123,650,136 | ₱80,862,143 | (₱3,113,753) | ₱7,648,721,015 | ₱9,882,677,58 | ₱4,655,933,784 | ₱14,538,606,542 |

| | For the Period Ended September 30, 2015 | | | | | | | | | | | |
|--|---|--------------|--------------|----------------|--------------|-------------|--------------|-------------|----------------|----------------|----------------|---------------------------------|
| Balances as at January 1, 2015 | ₱ 344,007,243 (16,985,358) | ₱921,687,536 | ₱154,578,328 | (₱9,700,617) | ₱420,309,754 | ₱11,902,110 | ₱105,648,267 | ₱31,298,374 | ₱6,234,678,662 | ₱8,214,409,657 | ₱4,533,289,560 | ₱12,747,699,217 (16,985,358) |
| Redemption of preferred shares | — | — | — | — | — | — | — | — | — | (16,985,358) | — | — |
| Acquisition of noncontrolling interest | — | — | — | (112,881,464) | — | 692,356 | 346,937 | (1,767,585) | — | (113,609,755) | (270,703,422) | (384,313,177) |
| | 327,021,885 | 921,687,536 | 154,578,328 | (122,582,081) | 420,309,754 | 12,594,466 | 105,995,204 | 29,530,789 | 6,234,678,662 | 8,083,814,544 | 4,262,586,138 | 12,346,400,682 |
| Net income | — | — | — | — | — | — | — | — | 757,574,190 | 757,574,190 | 245,950,075 | 1,003,524,265 |
| Other comprehensive income | — | — | — | — | — | 81,762,784 | (10,133,553) | (1,695,872) | — | 69,933,358 | 52,706,334 | 122,639,692 |
| Total comprehensive income | — | — | — | — | — | 81,762,784 | (10,133,553) | (1,695,872) | 757,574,190 | 827,507,548 | 298,656,409 | 1,126,163,957 |
| Dividends declared by Parent Company | — | — | — | — | — | — | — | — | (60,859,509) | (60,859,509) | — | (60,859,509) |
| Dividends declared by subsidiaries | — | — | — | — | — | — | — | — | — | — | — | — |
| Total dividends declared | — | — | — | — | — | — | — | — | (60,859,509) | (60,859,509) | (145,714,677) | (145,714,677) |
| Balances as at September 30, 2015 | ₱327,021,885 | ₱921,687,536 | ₱154,578,328 | (₱122,582,081) | ₱420,309,754 | ₱94,357,250 | ₱95,861,651 | ₱27,834,917 | ₱6,931,393,343 | ₱8,850,462,583 | ₱4,415,527,870 | ₱13,265,990,453 |

See accompanying Notes to Consolidated Financial Statements

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

| | Periods Ended September 30 | | |
|---|----------------------------|---------------|-----------------|
| | 2017 | 2016 | 2015 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Income before income tax | ₱1,397,403,146 | ₱641,330,418 | ₱1,249,853,505 |
| Adjustments for: | | | |
| Depreciation and amortization | 528,351,008 | 136,662,841 | 423,040,296 |
| Interest and finance charges | 199,943,827 | 231,590,543 | 208,549,773 |
| Movement in accrued retirement liability | — | — | — |
| Dividend income | (1,508,180) | (24,184,990) | (44,897,403) |
| Interest income | (60,729,873) | (46,170,418) | (30,836,375) |
| Probable impairment of goodwill | — | — | — |
| Equity earnings in associates | (427,643,457) | 733,275,685 | 569,104,192 |
| Operating income working capital changes | 1,635,816,471 | 1,672,504,079 | 2,374,813,988 |
| Changes in operating assets and liabilities: | | | |
| Decrease (increase) in: | | | |
| Accounts receivable | (711,176,390) | (490,715,278) | (2,136,130,361) |
| Loans receivable | (1,247,213) | (1,515,640) | 1,480,671 |
| Costs and estimated earnings in excess of billings on uncompleted contracts | 80,361,277 | 171,169,761 | (701,072,181) |
| Inventories | 272,675,914 | (138,078,101) | (163,180,197) |
| Prepaid expenses and other current assets | 141,837,394 | 30,339,066 | (126,723,528) |
| Financial asset at FVPL | (90,025) | (99,379) | — |
| Increase (decrease) in: | | | |
| Accounts payable and accrued expenses | (908,848,878) | (794,433,652) | 465,450,115 |
| Customers' deposits | 14,681,246 | 20,803,526 | (12,784,223) |
| Billings in excess of costs and estimated earnings on uncompleted contracts | 217,120,519 | 1,159,267,635 | 2,198,945,403 |
| Unearned tuition fees | 227,920,208 | 183,218,201 | 122,663,355 |
| Accrued retirement liability | (3,551,303) | (23,755,131) | (2,179,700) |
| Net cash generated from (used for) operations | 965,499,220 | 1,788,705,087 | 2,021,283,342 |
| Interest received | 60,729,873 | 46,170,418 | 30,836,375 |
| Interest and finance charges paid | (199,943,827) | (231,590,543) | (208,549,773) |
| Income tax paid | (248,751,470) | (292,359,027) | (100,101,312) |
| Net cash flows provided by (used in) operating activities | 577,533,796 | 1,310,925,935 | 1,743,468,632 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Payments received from (advances to) related parties | (780,985,096) | 1,062,536 | (53,538,069) |
| Investments in associates and joint ventures | 7,393,082 | (233,064,487) | (517,347,696) |
| Increase (decrease) in other noncurrent assets | (184,770,647) | (107,154,955) | 96,499,086 |
| Proceeds from disposals (acquisitions) of available-for-sale securities | 51,987,378 | 35,339,263 | 29,215,562 |
| Property, plant and equipment, net | (1,179,202,272) | (259,380,162) | (1,111,214,341) |
| Dividends received | 1,508,180 | 24,184,990 | 44,897,403 |
| Net Addition (deduction) to minority interest | (11,043,136) | (221,983,864) | (476,593,229) |
| Net cash flows used in investing activities | (2,095,112,511) | (760,996,679) | (1,988,081,284) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds (payments) from: | | | |
| Loans payable | 1,610,000,000 | (150,000,000) | 4,600,000 |
| Long-term debt | (369,463,156) | (475,753,590) | 264,000,400 |
| Lease liability | — | — | (281,259) |
| Redemption of preferred shares | (20,538,093) | (22,726,977) | (16,985,358) |

Forward

| | Periods Ended September 30 | | |
|---|-----------------------------------|----------------|----------------|
| | 2017 | 2016 | 2015 |
| Cash dividends paid | (60,452,310) | (61,182,672) | (60,859,509) |
| Net cash flows provided by (used in) financing activities | 1,159,546,441 | (709,663,239) | 190,474,274 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (358,032,274) | (172,563,242) | (54,138,378) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | 2,393,201,221 | 2,339,213,766 | 2,161,107,813 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | ₱2,035,168,947 | ₱2,166,650,524 | ₱2,106,969,435 |

See accompanying Notes to Consolidated Financial Statements

HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

House of Investments, Inc. (the Parent Company) is a stock corporation incorporated under the laws of the Republic of the Philippines on May 21, 1959. On July 20, 2007, the Parent Company's corporate life was extended for another fifty (50) years starting May 21, 2009.

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

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

The registered office address and principal place of business of the Parent Company is at 3rd Floor, Grepalife Building, 219 Sen. Gil J. Puyat Avenue, Makati City, Metro Manila.

2. 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 asset at FVPL and available-for-sale financial assets 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 comprise the financial statements of the Group as of September 30, 2017 and December 31, 2016, and for each of the three years in the period ended September 30, 2017.

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

| | Place of Incorporation | Nature of Business | Functional Currency | Percentage of Ownership | | | |
|--|---------------------------|---|------------------------|-------------------------|---------------|--------|----------|
| | | | | 2017 | | 2016 | |
| | | | | Direct | Indirect | Direct | Indirect |
| Landev Corporation | Philippines | Property management | Philippine peso | 100.00 | — | 100.00 | — |
| Hexagon Lounge, Inc. | Philippines | Restaurant | Philippine peso | — | 100.00 | — | 100.00 |
| Greyhounds Security and Investigation Agency Corp. | Philippines | Security agency | Philippine peso | — | 100.00 | — | 100.00 |
| Secon Professional Security Training Academy Inc. ^(a) | Philippines | Training service provider | Philippine peso | — | 100.00 | — | 100.00 |
| Xamdu Motors, Inc. (XMI) | Philippines | Car dealership | Philippine peso | 100.00 | — | 100.00 | — |
| | | Insurance agent, financing, trading and real estate | | | | | |
| Investment Managers, Inc. (IMI) | Philippines | | Philippine peso | 100.00 | — | 100.00 | — |
| Zambowood Realty and Development Corporation (ZRDC) | Philippines | Real estate | Philippine peso | 100.00 | — | 100.00 | — |
| Zamboanga Carriers, Inc. (ZCI) | Philippines | Transportation | Philippine peso | 100.00 | — | 100.00 | — |
| Honda Cars Kalookan, Inc. (HCKI) | Philippines | Car dealership | Philippine peso | 55.00 | — | 55.00 | — |
| Zamboanga Industrial Finance Corporation (ZIFC) | Philippines | Consumer Finance | Philippine peso | 50.00 | — | 50.00 | — |
| EEl Corporation (EEl) | Philippines | Construction | Philippine peso | 54.36 | — | 54.36 | — |
| | British Virgin Islands | | | | | | |
| EEl Limited | British Virgin Islands | Holding company | US Dollar | — | 100.00 | — | 100.00 |
| | British Virgin Islands | | | | | | |
| Clear Jewel Investments, Ltd. | Islands | Holding company | US Dollar | — | 100.00 | — | 100.00 |
| EEl Corporation (Singapore) Pte. Ltd. ^(b) | Singapore | Construction | Singapore Dollar | — | — | — | 100.00 |
| EEl Nouvelle-Caledonie SARL ^(b) | New Caledonia | Construction | French Franc | — | — | — | 100.00 |
| | British Virgin Islands | | | | | | |
| Nimaridge Investments, Limited | Islands | Holding company | US Dollar | — | 100.00 | — | 100.00 |
| EEl (PNG), Ltd | Papua New Guinea | Holding company | US Dollar | — | 100.00 | — | 100.00 |
| | United States of America | | | | | | |
| 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 |
| Equipment Engineers, Inc. (EE) | Philippines | Construction | Philippine Peso | — | 100.00 | — | 100.00 |
| | | Rental of scaffolding and formworks | | | | | |
| JP Systems Asia Inc. (JPSAI) ^(c) | Philippines | | Philippine Peso | — | 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 |
| | | Education and Information Technology | | | | | |
| iPeople, Inc. (IPO) | Philippines | | Philippine peso | 67.34 | — | 67.34 | — |
| | | Education and Information Technology | | | | | |
| Malayan Colleges, Inc. (MCI) | Philippines | | Philippine peso | 7.00 | 93.00 | 7.00 | 93.00 |
| Mapua Information Technology Center, Inc. (MITC) | Philippines | Education and Information Technology | Philippine peso | — | 100.00 | — | 100.00 |
| Mapua Techserv, Inc. (MTI) | Philippines | Consultancy | Philippine peso | — | 100.00 | — | 100.00 |
| Mapua Techpower, Inc. | Philippines | Consultancy | Philippine peso | — | 75.00 | — | 75.00 |
| San Lorenzo Ruiz Institute of Health Sciences, Inc. (SLRHSI) | Philippines | Education and Information Technology | Philippine peso | — | 100.00 | — | 100.00 |
| Malayan High School of Science, Inc. (MHSSI) | Philippines | Education and Information Technology | Philippine peso | — | 100.00 | — | 100.00 |
| | | Education and Information Technology | | | | | |
| Malayan Colleges Laguna, Inc. (MCLI) | Philippines | | Philippine peso | — | 100.00 | — | 100.00 |
| Malayan Colleges Mindanao, Inc. (MCMi) | Philippines | Education and Information Technology | Philippine peso | — | 100.00 | — | 100.00 |
| People eServe Corporation (People eServe) | Philippines | Technology | Philippine peso | — | 100.00 | — | 100.00 |
| Pan Pacific Computer Center, Inc. (PPCCI) | Philippines | Technology | Philippine peso | — | 100.00 | — | 100.00 |

(a) Acquired in 2016

(b) Liquidated in 2016

(c) Incorporated in December 2016

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 Group 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 Group controls an investee if and only if the Group 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 Group has less than a majority of the voting or similar rights of an investee, the Group 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 Group's voting rights and potential voting rights.

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

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

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

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in profit or loss; and
- Reclassifies the Group's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

3. Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the following new accounting pronouncements starting January 1, 2016. Adoption of these pronouncements did not have any significant impact on the Group's financial position or performance unless otherwise indicated.

- Amendments to PFRS 10, PFRS 12 and PAS 28, *Investment Entities: Applying the Consolidation Exception*
- Amendments to PFRS 11, *Accounting for Acquisitions of Interests in Joint Operations*
- PFRS 14, *Regulatory Deferral Accounts*
- Amendments to PAS 1, *Disclosure Initiative*
- Amendments to PAS 16 and PAS 38, *Clarification of Acceptable Methods of Depreciation and Amortization*
- Amendments to PAS 16 and PAS 41, *Agriculture: Bearer Plants*

- Amendments to PAS 27, *Equity Method in Separate Financial Statements*
- Annual Improvements to PFRSs 2012 - 2014 Cycle
 - Amendment to PFRS 5, *Changes in Methods of Disposal*
 - Amendment to PFRS 7, *Servicing Contracts*
 - Amendment to PFRS 7, *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
 - Amendment to PAS 19, *Discount Rate: Regional Market Issue*
 - Amendment to PAS 34, *Disclosure of Information 'Elsewhere in the Interim Financial Report'*

Standards issued but not yet effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements to have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2017

- Amendment to PFRS 12, *Clarification of the Scope of the Standard* (Part of *Annual Improvements to PFRSs 2014 - 2016 Cycle*)
- Amendments to PAS 7, *Statement of Cash Flows, Disclosure Initiative*
The amendments to PAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendments, entities are not required to provide comparative information for preceding periods. Early application of the amendments is permitted.

Application of amendments will result in additional disclosures in the 2017 consolidated financial statements of the Group.

- Amendments to PAS 12, *Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses*

Effective beginning on or after January 1, 2018

- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*
- Amendments to PFRS 4, *Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4*
- PFRS 15, *Revenue from Contracts with Customers*
PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018.

The Group is currently assessing the impact of PFRS 15.

- PFRS 9, *Financial Instruments*
PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The adoption of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Group's financial liabilities.

- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs 2014 - 2016 Cycle*)
- Amendments to PAS 40, *Investment Property, Transfers of Investment Property*
- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*

Effective beginning on or after January 1, 2019

- PFRS 16, *Leases*
Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17, *Leases*. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

Entities may early adopt PFRS 16 but only if they have also adopted PFRS 15. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs.

The Group is currently assessing the impact of adopting PFRS 16.

Deferred effectivity

- Amendments to PFRS 10 and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

4. Summary of Significant Accounting Policies

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.

Financial Instruments

Date of recognition

The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial instruments that require delivery of financial instruments within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

Initial recognition of financial instruments

All financial assets and financial liabilities are initially recognized at fair value. Except for financial assets and liabilities at fair value through profit or loss (FVPL), the initial measurement of financial assets and liabilities include transaction costs. The Group classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, available-for-sale (AFS) financial assets, or loans and receivables. The Group classifies its financial liabilities as financial liabilities at FVPL or other financial liabilities.

The classification depends on the purpose for which the investments were acquired and whether these are quoted in an active market. Management determines the classification at initial recognition and re-evaluates such designation, where allowed and appropriate, at every financial reporting date.

Financial instruments are classified as liability or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity net of any related income tax benefits.

The Group do not have any HTM investments and financial liabilities at FVPL as of September 30, 2017 and of December 31, 2016.

The Group assesses whether embedded derivatives are required to be separated from host contracts when the Group first becomes party to the contract. An embedded derivative is separated from the host contract and accounted for as a derivative if all of the following conditions are met: a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics of the host contract; b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and c) the hybrid or combined instrument is not recognized at FVPL. Reassessment of embedded derivatives is only done when there are changes in the contract that significantly modifies contractual cash flows.

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' profit or loss

Where the transaction price in a non-active market is different from the fair value based on 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' profit or loss) in the consolidated statement of income unless it qualifies for recognition as some other type of asset or liability. 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 the consolidated statement of income 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' profit or loss amount.

Financial assets at FVPL

This includes financial assets held for trading and financial assets designated upon initial recognition as at FVPL. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Financial assets at FVPL are recorded in the consolidated statement of financial position at fair value with unrealized mark-to-market gains and losses reported as part of the current year operations in the consolidated statement of income. Interest earned or incurred is recorded in interest income or expense, respectively, while dividend income is recorded when the right to receive payment has been established. Derivatives, including separated embedded derivatives are also classified as FVPL unless they are designated as effective hedging instruments or a financial guarantee contract.

Financial assets may be designated at initial recognition as at FVPL if any of the following criteria are met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis; or
- The assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- The financial instrument contains an embedded derivative that would need to be separately recorded.

The Group's financial asset at FVPL consist of peso-denominated investment in unit investment trust fund (UITF) in Rizal Commercial Banking Corporation (RCBC).

Loans and receivables

Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as financial assets held for trading, designated as available-for-sale or as financial assets at FVPL. After initial measurement, loans and receivables are carried at amortized cost using the effective interest rate method less any allowance for impairment. Gains and losses are recognized in the consolidated statement of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

This category includes the Group's cash and cash equivalents, accounts receivable, loans receivable, receivables from related parties, receivable from a customer, miscellaneous deposits (included in the prepaid expenses and other current assets) and receivable from EEI Retirement Fund, Inc.

AFS financial assets

AFS financial assets are those nonderivative financial assets that are designated as AFS or are not classified in any of the three preceding categories. These are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. These include government securities, equity investments and other debt instruments.

After initial measurement, AFS financial assets are measured at fair value with unrealized gains or losses recognized directly in equity until the investment is derecognized or determined to be impaired at which time the cumulative gain or loss previously recorded in equity is recognized in the consolidated statement of income. The unrealized gains and losses arising from the fair valuation of available-for-sale financial assets are excluded from reported earnings and are reported in other comprehensive income. When the investment is disposed of, the cumulative gain or loss previously recognized in equity is recognized in "Other income (loss)" account in the consolidated statement of income. Where the Group holds more than one investment in the same security, these are deemed to be disposed of on a first-in first-out basis. Interest earned on holding available-for-sale debt investments are reported as interest income using the EIR. Dividends earned on holding available-for-sale equity investments are recognized in the consolidated statement of income as "Other income" account when the right to receive payment has been established. The losses arising from impairment of such investments are recognized as "Provisions on impairment losses" under operating expenses in the consolidated statement of income.

If the fair market value of the unquoted equity instruments under available-for-sale cannot be reliably measured, the financial asset is carried at cost less allowance for impairment loss, if any.

Available-for-sale financial assets are classified as current assets when it is expected to be sold or realized within twelve (12) months after the reporting date or within the normal operating cycle, whichever is longer.

The Group's available-for-sale financial assets include investments in quoted and unquoted golf

club and equity shares (Note 12).

Derivative financial instruments

Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of derivatives are included in the statement of income.

Derivatives embedded in other financial instruments are treated as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contract, and the host contract is not itself held for trading or designated at FVPL.

The Group has no derivative financial instruments as at September 30, 2017 and December 31, 2016.

Other financial liabilities

Other financial liabilities are nonderivative financial liabilities with fixed or determinable payments that are not quoted in an active market. These liabilities are carried at amortized cost in the consolidated statement of financial position. Amortization is determined using the effective interest method. Gains and losses are recognized in the consolidated statement of comprehensive income, when the liabilities are derecognized as well as through the amortization process.

Other financial liabilities are classified as current liabilities when it is expected to be settled within twelve (12) months from the financial reporting date or the Group does not have an unconditional right to defer settlement for at least 12 months from financial reporting date. Otherwise, these are classified as noncurrent liabilities. Gains and losses are recognized in the consolidated statement of income when the liabilities are derecognized.

The Group's other financial liabilities consist of loans payable, accounts payable and other current liabilities, due to related parties and long-term debt.

Derecognition of Financial Assets and Financial Liabilities

Financial asset

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired; or
- 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: (a) has transferred substantially all the risks and rewards of the asset; or (b) 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 liability

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 Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position only if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

This accounting policy relates to the net payable to Philippine Transmarine Carriers, Inc. (PTC) amounting ₱13.1 million as of September 30, 2017 and December 31, 2016, respectively, and included under “Accounts payable and other current liabilities” in the consolidated statements of financial position (Note 17).

The memorandum of agreement of the joint operation has a provision to settle the amounts due from and due to on a net basis.

Impairment of Financial Assets

The Group assesses at each financial reporting date whether a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a borrower or a group of borrowers are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortized cost

The Group first assesses whether an objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors’ ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognized, are not included in a collective assessment for impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets’ carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred).

The carrying amount of the asset is reduced through use of an allowance account and the amount of loss is charged to the consolidated statement of income. Loans, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all

collateral has been realized. If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as year-level of students for information technology and education segment, customer profile and mode of payment for car dealership segment.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

AFS financial assets carried at cost

If there is an objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

AFS financial assets carried at fair value

In case of equity instruments classified as available-for-sale, impairment would include a significant or prolonged decline in the fair value of investments below its cost. If an available-for-sale security is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in the consolidated statement of income, is transferred from other comprehensive income to the consolidated statement of income. Reversals in respect of equity instruments classified as available-for-sale are not recognized in the consolidated statement of income but in other comprehensive income. Reversals of impairment losses on debt instruments classified as available-for-sale are reversed to operations if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in the consolidated statement of income.

Jointly Controlled Operations

A jointly controlled operation involves the use of the assets and other resources of the venturers rather than the establishment of a corporation, partnership or other entity, or a financial structure that is separate from the venturers themselves. Each venturer uses its own property, plant and equipment and carries its own inventories. It also incurs its own expenses and liabilities and raises its own finance, which represent its own obligations.

Inventories

Inventories are valued at the lower of cost and net realizable value (NRV). NRV is the selling price in the ordinary course of business, less the estimated costs of completion of inventories and the estimated costs necessary to sell.

Cost includes purchase price and other costs directly attributable to its acquisition such as non-refundable taxes, handling and transportation cost.

The cost of real estate inventories includes (a) land cost; (b) freehold and leasehold rights for land; (c) amounts paid to contractors for construction; (d) borrowing costs, planning and design cost, cost of site preparation, professional fees, property taxes, construction overheads and other related costs.

Cost of inventories is generally determined primarily using the moving-average method, except for automotive units of the car dealerships and real estate inventories of EEI Realty, which are accounted for using the specific identification method.

Value-Added Tax (VAT)

The input value-added tax pertains to the 12% indirect tax paid by the Group in the course of the Group's trade or business on local purchase of goods or services.

Output VAT pertains to the 12% tax due on the local sale of goods or services by the Group. If at the end of any taxable month, the output VAT exceeds the input VAT, the outstanding balance is included under "Accounts payables and other current liabilities" account. If the input VAT exceeds the output VAT, the excess shall be carried over to the succeeding months and included under "Prepaid expenses and other current assets" account.

Prepaid Expenses

Prepaid expenses are carried at cost less the amortized portion. These typically comprise prepayments of insurance premiums, rents and others. It is included as part of other current assets in the consolidated statement of financial position.

Other Current Assets

Other current assets pertain to other resources controlled by the Group as a result of past events and from which future economic benefits are expected to flow to the Group within the reporting period.

Investments in Associates and Joint Ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Investments in associates and joint venture are accounted for under the equity method of accounting.

Under the equity method, the investment in the investee company is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share in the net assets of the investee company, less any impairment in value. The profit or loss reflects the share of the results of the operations of the investee company reflected as "Equity in net earnings (losses) of associates and joint venture" in the consolidated statement of comprehensive income. Goodwill relating to associate is included in the carrying amount of the investment and is not amortized. The Group's share in the investee's post acquisition movements in the investee's equity reserves is recognized directly in equity. Profit and losses resulting from transactions between the Group and the investee company are eliminated to the extent of the interest in the investee company and for unrealized losses to the extent that there is no evidence of impairment of the assets transferred. Dividends received are treated as a reduction of the carrying value of the investment.

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 ventures accounted for using the equity method as of September 30, 2017 follows:

| | Place of Incorporation | Nature of Business | Functional Currency | Percentage of Ownership | |
|--|---------------------------|-----------------------|------------------------|----------------------------|------------------|
| | | | | September 2017 | December 2016 |
| Associates: | | | | | |
| Hi-Eisai Pharmaceutical, Inc. (HEPI) | Philippines | Pharmaceutic al | Philippine peso | 50.00 | 50.00 |
| La Funeraria Paz Sucat, Inc. (LFPSI) | Philippines | Funeral Service | Philippine peso | 37.50 | 37.50 |
| 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 |
| Lo-oc Limestone Development Corporation (LLDC) | Philippines | Mining | Philippine peso | 25.00 | 25.00 |
| Petroenergy Resources Corporation (PERC) | Philippines | Renewable energy | Philippine peso | 22.41 | 22.41 |
| 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 |
|----------------------------------|-------------|---------------------|--------------------|--------------|-------|

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation, amortization and impairment loss, if any, except for land which is carried at revalued amount based on the latest appraisal conducted by an independent appraisers. The appraisal increment resulting from the revaluation is treated as a separate component in the Group's equity.

The initial cost of property and equipment consists of its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the assets have been put into operation, such as repairs and maintenance, are normally charged to operations in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment. When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected as part of current operations.

Depreciation is computed using the straight-line method over the following average estimated useful lives (EUL):

| | Years |
|---|-------|
| Buildings and improvements | 10-20 |
| Machinery, tools and construction equipment | 5-10 |
| Transportation and service equipment | 4-5 |
| Furniture, fixtures and office equipment | 2-10 |

Amortization of leasehold improvements is computed over the EUL of the improvement or term of the lease, whichever is shorter.

The useful lives and depreciation method are reviewed periodically to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

Minor repairs and maintenance costs are charged to consolidated statement of income as incurred; significant renewals and betterments are capitalized. When assets are retired or otherwise disposed of, the cost or revalued amount, appraisal increase and related accumulated depreciation and amortization are removed from the accounts and any resulting gains or losses are reflected in the consolidated statement of income.

Construction in progress represents property and equipment under construction and is stated at cost. This includes cost of construction, plant and equipment and other direct costs. Construction in progress is not depreciated until such time that the relevant assets are completed and put into operational use.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income in the year the asset is derecognized.

Upon disposal of land, any revaluation reserve relating to the particular asset being sold is

transferred to retained earnings.

The asset's residual values, useful lives and methods of depreciation and amortization are reviewed, and adjusted if appropriate, at each financial year-end.

Investment Properties

Investment properties are measured at cost less accumulated depreciation and impairment loss, if any, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met. Investment properties are depreciated on a straight-line basis over its estimated useful life of fifteen (15) to twenty years (20). Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any impairment in value.

Investment properties are derecognized when they either have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated statement of income in the year of retirement or disposal.

Transfers are made to investment property when there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment property when there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale.

Transfers between investment property, owner-occupied property and inventories do not change the carrying amount of the property transferred and they do not change the cost of that property for measurement or disclosure purposes.

Software Costs

Software costs are stated at cost less accumulated amortization and any impairment in value. Costs related to software purchased by the Group for use in the operations are amortized on a straight-line basis over a period of three (3) years.

Costs associated with developing and maintaining computer software programs are recognized as an expense when incurred. Costs that are directly associated with identifiable and unique software controlled by the Group and will generate economic benefits exceeding costs beyond one year, are recognized as intangible assets to be measured at cost less accumulated amortization and provision for impairment losses, if any.

Impairment of Nonfinancial Assets

For investments in associate and joint venture, property and equipment, investment properties and computer software costs, the Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An 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.

Borrowing Costs

Interest and other related financing charges on borrowed funds used to finance property development are capitalized as part of development costs (included under "Inventories" account) and the acquisition and construction of a qualifying asset (included under "Construction in progress" account in property and equipment) are capitalized to the appropriate asset accounts. Capitalization of borrowing costs commences when the expenditures and borrowing costs are being incurred during the construction and related activities necessary to prepare the asset for its intended use are in progress. It is suspended during extended periods in which active development is interrupted and ceases when substantially all the activities necessary to prepare the asset for its intended use are complete. The capitalization for inventories account is based on the weighted average borrowing cost and specific borrowing for property, plant and equipment.

The borrowing costs capitalized as part of property and equipment are amortized using the straight-line method over the estimated useful lives of the assets. If after capitalization of the borrowing costs, the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded in the consolidated statement of income.

All other borrowing costs are expensed in the period in which they occur.

Interest expense on loans and borrowings is recognized using the EIR method over the term of the loans and borrowings.

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.

Revenue and Cost Recognition

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

Except for Greyhounds and certain arrangements of Equipment Engineers, Inc. (EE), the Group has concluded that it is acting as principal in all of its arrangements.

The following specific recognition criteria must also be met before revenue and cost are recognized:

Sale of services:

Construction contracts

Revenue from construction contracts are recognized using the percentage of completion method of accounting. Under this method, revenues are generally measured on the basis of estimated completion of the physical proportion of the contract work. Revenue from labor supply contracts with project management and supervision are recognized on the basis of man-hours spent.

Contract costs include all direct materials and labor costs and those indirect costs related to contract performance. Expected losses on contracts are recognized immediately when it is probable that the total contract costs will exceed total contract revenue. The amount of such loss is determined irrespective of whether or not work has commenced on the contract; the stage of completion of contract activity; or the amount of profits expected to arise on other contracts, which are not treated as a single construction contract. Changes in contract performance, contract conditions and estimated profitability, including those arising from contract penalty provisions and final contract settlements that may result in revisions to estimated costs and gross margins are recognized in the year in which the changes are determined. Profit incentives are recognized as revenue when their realization is reasonably assured.

The asset "Costs and estimated earnings in excess of billings on uncompleted contracts" represents total contract costs incurred and estimated earnings recognized in excess of amounts billed. The liability "Billings in excess of costs and estimated earnings on uncompleted contracts" represents billings in excess of total contract costs incurred and estimated earnings recognized. Retention receivables are included in the trade receivable account, which is shown as part of the accounts receivables account in the consolidated statement of financial position.

Management and consultancy fees, and commission income are recognized as the related services are rendered.

Equipment rental arises from the Group equipment's that are being held for rentals. Revenue is measured on straight-line basis over the term of the lease agreement.

Cost of services includes all expenses associated with sale of services. Cost of services include all materials and supplies used, direct labor, depreciation of production equipment, power and water and other expenses related to services rendered. Such costs are recognized when the related services have been rendered.

Sale of goods:

Merchandise sales

Revenue from merchandise sales is normally recognized when the buyer accepts delivery and when installation and inspection are complete. However, revenue is recognized immediately upon the buyer's acceptance of delivery when the installation process is simple in nature.

Cost of goods sold

Cost of goods sold includes all expenses associated with the specific sale of goods. Cost of goods sold include all materials and supplies used, direct labor, depreciation of production equipment, royalty, power and water and other expenses related to production. Such costs are recognized when the related sales have been recognized.

Real estate

Revenue on sale of raw parcels of land with no future obligation to develop the property is recognized using the full accrual method.

Sale of developed lots and residential units is accounted for using the full accrual method of accounting. Under this method, the revenue is recognized when: (a) the collectibility of the sales price is reasonably assured; (b) the earnings process is virtually complete; and (c) the seller does not have a substantial continuing involvement with the subject properties. The collectibility of the sales price is considered reasonably assured when: (a) the buyers have actually confirmed their acceptance of the related loan applications after the same have been delivered to and approved by either the banks or other financing institutions for externally financed accounts; and (b) the down payment comprising a substantial portion of the contract price is received and the capacity to pay and credit worthiness of buyers have been reasonably established for sales under the deferred cash payment arrangement.

If any of the criteria under the full accrual method is not met, the deposit method is applied until all the conditions for recording a sale are met. Pending recognition of sale, cash received from buyers is recognized as deposit from customers presented under the "Customers' deposits" account in the liabilities section of the consolidated statement of financial position.

Cost of real estate

Cost of real estate sales is recognized consistent with the revenue recognition method applied. The cost of real estate sales recognized in profit or loss on disposal is determined with reference to the specific costs incurred on the property and an allocation of any non-specific cost based on the relative size of the property sold.

School and related operations:

Revenues from school operations are recognized as income over the corresponding school term. Unearned revenues are shown as unearned tuition fees in the consolidated statement of financial position and will be recognized as revenues when the educational service has been fulfilled in the applicable school term.

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

Cost of tuition and other fees constitute expenses directly related to the Group's school and related operations which include expenses for salaries and wages of teaching and academic support personnel, student welfare activities, advertising, and all other student-related costs and expenses. Cost of school and related operations are recognized as expense when school and related services have been provided to the students.

Others:

Interest income is recognized as it accrues taking into account the effective yield on the asset.

Rent income is recognized as revenue on a straight-line basis over the lease term.

Dividend income is recognized when the Group's right to receive the payment is established.

Other cost of sales and services arise in the ordinary activities of the Group and are recognized as incurred.

General and Administrative Expenses

The Group's general and administrative expenses constitute costs of administering the business. General and administrative expenses are recognized as incurred.

Foreign Currency-denominated Transaction and Translation

The consolidated financial statements are presented in Philippine Peso. Each entity in the Group determines its own functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded in the functional currency rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate at the reporting date. All differences are taken to consolidated statement of income. Non-monetary items that are measured in terms of historical cost in foreign currency are translated using the exchange rates as at the dates of initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

As at reporting date, the assets and liabilities of subsidiaries whose functional currency is not the Philippines Peso are translated into the presentation currency of the Parent Company (the Philippine Peso) at the closing rate as at the reporting date, and the consolidated statement of income accounts are translated at monthly weighted average exchange rate. Likewise, the the financials of the Group's associate whose functional currency is not the Philippine Peso that is accounted for under equity method are translated to the presentation currency of the Parent Company in a similar manner. The exchange differences arising on the translation are taken directly to a separate component of equity under "Cumulative translation adjustments" account.

Upon disposal of a foreign subsidiary, the deferred cumulative amount recognized in other comprehensive income relating to that particular foreign operation is recognized in the consolidated statement of income.

Retirement Cost

Defined benefit plan

The defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets, if any, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic 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.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

A reassessment is made after inception of the lease only if one of the following applies:

- (a) There is a change in contractual terms, other than a renewal or extension of the arrangement;
- (b) A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
- (c) There is a change in the determination of whether fulfillment is dependent on a specified asset;
or
- (d) There is substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c), or (d) and at the date of renewal or extension period for scenario (b).

Group as a lessee

Operating lease of the Group represents those under which substantially all the risks and benefits of ownership of the assets remain with the lessor. Operating lease payments are recognized as an expense in the consolidated statement of income on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the leased term on the same bases as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Basic and Diluted Earnings Per Share (EPS)

Basic EPS is computed by dividing net income for the year attributable to equity holders of the Group adjusted for the after-tax amounts of dividends on preferred stock by the weighted average number of common stock outstanding during the year, after giving retroactive effect for any stock dividends, stock splits or reverse stock splits.

Diluted EPS is computed by adjusting the net income for the year attributable to equity holders of the Group and the weighted average number of common stock outstanding during the year after

giving retroactive effect for any stock dividends, stock splits or reverse stock splits and adjusted for the effects of all dilutive potential common stock.

Provisions

Provisions are recognized when: (a) the Group has a present obligation (legal or constructive) as a result of a past event; (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

Stock Option Plan

No benefit expense is recognized relative to the shares issued under the stock options plan. When the shares related to the stock option plans are subscribed, these are treated as capital stock issuances. The stock option plan is exempt from PFRS 2, *Share-based Payment*.

Segment Reporting

The Group's operating business are organized and managed separately according to the nature of services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in Note 36.

Capital Stock

The Group records common stocks at par value and additional paid-in capital in excess of the total contributions received over the aggregate par values of the equity shares. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax. When the Group purchases the Group's capital stock (treasury shares), the consideration paid, including any attributable incremental costs, is deducted from equity attributable to the Group's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related tax effects is included in equity (Note 21).

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. The individual accumulated retained earnings of the subsidiaries are available for dividends when they are declared by the subsidiaries as approved by their respective BOD. 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

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 September 30, 2017 and December 31, 2016, the Group holds 10% of interest in RRC. The Group 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 Board of Directors. 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%.

Estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Recognition of revenue and cost from construction contracts

Revenues and costs from construction projects are determined using the percentage of completion based on the physical progress of the construction projects. Apart from involving significant estimates, this process is complex and requires the technical expertise of the Group's engineers, particularly with respect to the calculation of estimated costs to completion, stage of completion and contract price variations.

As of September 30, 2017 and December 31, 2016, the costs and estimated earnings in excess of billings on uncompleted contracts amounted to ₱4,181.5 million and ₱4,261.8 million, respectively. Billings in excess of costs and estimated earnings on uncompleted contracts amounted to ₱4,839.4 million and ₱4,622.2 million as of September 30, 2017 and December 31, 2016, respectively.

Estimating allowance for impairment of receivables

The Group maintains an allowance for impairment at a level considered adequate to provide for

potential uncollectible receivables. The level of this allowance is evaluated by management on the basis of factors that affect the collectability of the accounts. For education segment, the evaluation factors will include the number of days the receivables is outstanding, year level of students and historical experience. For other segments the evaluation of collectability considers the length of the Group's relationship with the customer, the customer's payment behavior and known market factors. The Group reviews the age and status of receivables, and identifies accounts that are to be provided with allowances on a continuous basis or those with existing allowances needing reversals.

The carrying value of loans and receivables are disclosed in Notes 7 and 8 to the consolidated financial statements.

Valuation of land under revaluation basis

The Group's parcel of land are carried at revalued amounts. The valuations of these parcels of land were performed by SEC accredited independent appraisers and were determined using the market approach. Significant adjustments to inputs used in determining the fair value of land such as location and utility could affect the appraised value of the assets.

Land carried under revaluation basis amounted to ₱4,955.6 million and ₱4,955.2 million as of September 30, 2017 and December 31, 2016, respectively. The key assumptions used to determine the fair value of the parcels of land are disclosed in Note 13.

Provisions and Contingencies

The Group is currently involved in various proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the Group's defense in these matters and is based upon an analysis of potential results. The Management does not believe that these proceedings will have a material adverse effect on the Group's financial statement because management and its legal counsels believe that the Group has substantial legal and factual bases for its position. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (Note 17).

Impairment of goodwill of Malayan Colleges, Inc.

The Group determines whether goodwill is impaired on an annual basis every December 31, or more frequently, if events or changes in circumstances indicate that it may be impaired. This requires an estimation of the recoverable amount, which is the higher of fair value less costs of disposal and value in use of the CGU to which the goodwill is attributed.

Estimating value in use requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. This estimate is based on the Group's past results and future expectations on cash flow from the CGU.

However, there is no assurance that the Group will generate sufficient cash flow to associate that the goodwill will not be impaired in the future.

Management determined that the goodwill of Malayan Colleges, Inc. amounting to ₱137.9 million as of September 30, 2017 and December 31, 2016 is not impaired (Note 14).

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. While the Group believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or

significant changes in the assumptions may materially affect the pension and other retirement obligations.

Retirement assets amounted to ₱42.0 million and ₱39.9 million as of September 30, 2017 and December 31, 2016, respectively whereas retirement liabilities amounted to ₱144.3 million and ₱147.8 million as of September 30, 2017 and December 31, 2016, respectively. Remeasurement loss on net retirement liability as of September 30, 2017 and December 31, 2016 amounted to ₱2.8 million, respectively.

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.

6. Cash and Cash Equivalents

This account consists of:

| | Unaudited September 2017 | Audited December 2016 |
|---------------------------|-----------------------------|--------------------------|
| Cash on hand and in banks | ₱1,059,849,169 | ₱1,478,830,024 |
| Short-term investments | 975,319,778 | 914,371,197 |
| | ₱2,035,168,947 | ₱2,393,201,221 |

Cash in banks earn interest at the respective bank deposit rates. Short-term investments are made for varying periods of up to three months depending on the immediate cash requirements of the Group and earn annual interest at the respective short-term investment rates.

Interest income from cash in banks and short-term investments amounted to ₱60.73 million, ₱46.70 million and ₱30.84 million for the periods ended September 30, 2017, 2016 and 2015, respectively (Note 24).

7. Loans Receivable

Loans receivable consists of:

| | Unaudited September 2017 | Audited December 2016 |
|-------------------------------|-----------------------------|--------------------------|
| Gross receivables | ₱20,620,580 | ₱19,378,197 |
| Less allowance for impairment | 4,048,712 | 4,053,542 |
| | 16,571,868 | 15,324,655 |
| Less noncurrent portion | 4,124,114 | 3,875,640 |
| Current portion | ₱12,447,754 | ₱11,449,015 |

Loans receivable is composed of receivables of ZIFC with the following details:

| | Unaudited September 2017 | Audited December 2016 |
|--------------------------------|-------------------------------------|----------------------------------|
| Time loan principals | ₱29,886,220 | ₱25,723,287 |
| Unearned discount and interest | (9,265,640) | (6,345,090) |
| | 20,620,580 | 19,378,197 |
| Less allowance for impairment | 4,048,712 | 4,053,542 |
| | ₱16,701,801 | ₱15,324,655 |

Time loan principals are collectible in full at maturity date while interest is due monthly or at maturity. Annual interest rates range from 12% to 31% in 2017, 2016 and 2015. The term of the loan ranges from one (1) to five (5) years.

Details of receivables follow:

- a) As to secured and unsecured and type of security for secured loans

| | Unaudited September 2017 | Audited December 2016 |
|----------------------|-------------------------------------|----------------------------------|
| Secured loans | | |
| Chattel mortgage | ₱6,582,959 | ₱6,099,210 |
| Real estate mortgage | 21,653,771 | 17,974,587 |
| | 28,236,730 | 24,073,797 |
| Unsecured loans | 1,649,490 | 1,649,490 |
| | ₱29,886,220 | ₱25,723,287 |

- b) As to maturity

| | Unaudited September 2017 | Audited December 2016 |
|---------------------------------|-------------------------------------|----------------------------------|
| Maturing within one year | ₱26,005,425 | ₱19,775,990 |
| Maturing one year to five years | 3,880,795 | 5,947,297 |
| | ₱29,886,220 | ₱25,723,287 |

The changes in individually assessed allowance for impairment as at September 30 follow:

| | Unaudited September 2017 | Audited December 2016 |
|---------------------------------|-------------------------------------|----------------------------------|
| Balance at beginning of year | ₱4,053,542 | ₱3,819,369 |
| Provision for impairment losses | — | 542,324 |
| Accounts written off | (4,830) | (308,151) |
| Balance at end of year | ₱4,048,712 | ₱4,053,542 |

8. Accounts Receivables

This account consists of:

| | Unaudited September 2017 | Audited December 2016 |
|--|-----------------------------|--------------------------|
| Trade | | |
| Construction and infrastructure (including retention receivable of ₱2.6 billion and ₱3.3 billion as of September 30, 2017 and December 31, 2016, respectively) | ₱5,368,783,433 | ₱5,746,048,844 |
| Car dealership | 1,021,814,755 | 926,152,028 |
| Education and information technology | 224,569,223 | 171,394,833 |
| Other services | 84,284,804 | 19,706,600 |
| Other receivables | | |
| Advances to suppliers and contractors | 1,430,543,436 | 582,635,273 |
| Consultancy fee | 313,685,020 | 305,946,232 |
| Receivables from plant | 64,373,121 | 81,254,888 |
| Advances to officers and employees | 39,257,807 | 34,598,478 |
| Rent receivable | 652,224 | 669,873 |
| Others | 436,748,888 | 442,709,806 |
| | 8,984,712,711 | 8,311,116,855 |
| Less allowance for impairment | 202,064,642 | 239,645,176 |
| | ₱8,782,648,069 | ₱8,071,471,679 |

Trade receivables

The trade receivables are noninterest-bearing and collectible within one (1) year.

This consists of the following:

Receivable from construction and infrastructure

Receivables from construction and infrastructure represent amounts arising from domestic and foreign construction contracts. These receivables are based on the monthly progress billings provided to customers over the period of the construction and collectible over a period of thirty (30) to ninety (90)-day period. Retention receivables are recouped upon completion of the construction contract.

Receivables from car dealership

Receivables from car dealership represent amounts arising from the sale of car, parts and accessories and services collectible within 30 days.

Receivables from education and information technology

Receivables from education and information technology represent amounts arising from tuition and other fees generally collectible within 90 days and from computer and service sales collectible within 30 days.

Receivables from other services

Receivables from other services represent amounts arising from management and consultancy services provided by the Group generally collectible within 30 days.

No trade receivables were used as collaterals to secure obligations as of September 30, 2017 and December 31, 2016, respectively.

Other receivables

Advances to suppliers and subcontractors represent down payment to subcontractors for the contract work to be performed and advance payment for the purchase of various construction materials and machineries and equipment items.

Consultancy fees pertain to receivables arising from contract negotiations, administration of commercial issues and claims, sales leads and application of computerization programs.

Receivables from plant pertain to noninterest-bearing receivables from Honda Cars Philippines, Inc. and Isuzu Philippines Corporation, for promotional subsidy and fleet discounts. Receivables from plant are collectible within a year in the normal course of Group's business.

Advances to officers and employees mainly pertain to interest-bearing advances and loans made by officers and employees. Annual interest of 6.0% shall be liquidated on a monthly basis through salary deduction and therefore collectible within a year.

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

9. Inventories

This account consists of:

| | Unaudited September 2017 | Audited December 2016 |
|--|-----------------------------|--------------------------|
| At cost | | |
| Land and land development | ₱235,400,618 | ₱219,021,006 |
| Subdivision lots and contracted units for sale | 76,350,716 | 98,455,666 |
| Raw lands | 45,229,389 | 45,229,389 |
| | 356,980,723 | 362,706,061 |
| At NRV | | |
| Merchandise | 889,342,305 | 1,066,795,911 |
| Construction materials | 9,971,344 | 81,538,956 |
| Spare parts and supplies | 37,757,130 | 55,686,488 |
| | 937,070,779 | 1,204,021,355 |
| | ₱1,294,051,502 | ₱1,566,727,416 |

The related costs of inventories recorded at NRV follow:

| | Unaudited September 2017 | Audited December 2016 |
|--------------------------|-----------------------------|--------------------------|
| Merchandise | ₱914,928,762 | ₱1,077,687,229 |
| Construction materials | 9,971,344 | 81,538,956 |
| Spare parts and supplies | 56,008,702 | 90,023,201 |
| | ₱980,908,808 | ₱1,249,249,386 |

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

The total cost of goods sold recognized in the Group's statements of comprehensive income amounted to ₱6,583.3 million, ₱5,415.4 million and ₱4,887.6 million in September 30, 2017, 2016 and 2015, respectively (Note 25).

The rollforward of allowance for inventory obsolescence is as follows:

| | Unaudited September 2017 | Audited December 2016 |
|-------------------------------|-------------------------------------|--------------------------|
| Balances at beginning of year | ₱45,228,031 | ₱42,218,031 |
| Provisions (Note 28) | (1,390,000) | 3,010,000 |
| Reversals | — | — |
| Write-off | — | — |
| Balances at end of year | ₱43,838,031 | ₱45,228,031 |

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

| | Unaudited September 2017 | Audited December 2016 |
|---|-------------------------------------|--------------------------|
| Balance at beginning of year | ₱362,706,061 | ₱350,047,882 |
| Reposessed inventories | — | 3,324,291 |
| Construction/development costs incurred | — | 23,269,593 |
| Disposals (recognized as cost of real estate sales) | (5,725,338) | (13,935,705) |
| Balances at end of year | ₱356,980,723 | ₱362,706,061 |

No inventories were pledged as security to obligations as of September 30, 2017 and December 31, 2016.

10. Prepaid Expenses and Other Current Assets

This account consists of:

| | Unaudited September 2017 | Audited December 2016 |
|--|-------------------------------------|--------------------------|
| Prepaid taxes | ₱366,672,669 | ₱308,871,426 |
| Input value added tax (VAT) | 350,451,204 | 310,564,822 |
| Prepaid expenses | 106,111,745 | 64,668,674 |
| Receivable from a customer | 90,000,000 | 380,296,805 |
| Miscellaneous deposits | 69,057,378 | 49,314,686 |
| Current portion of receivable from EEI Retirement Fund, Inc. (Note 17) | 15,253,324 | 45,266,388 |
| Restricted cash investment | 23,560,490 | 17,265,970 |
| Others | 89,783,906 | 76,479,339 |
| | 1,110,890,716 | 1,252,728,110 |
| Less allowance for impairment | 3,762,427 | 3,762,427 |
| | ₱1,107,128,289 | ₱1,248,965,683 |

Receivable from a customer represents advances to project owner that bear interest at 7.25% per annum which will be collected in 2017.

Input VAT represents taxes imposed to the Group by its suppliers and contractors for the acquisition of goods and services required under Philippine taxation laws and regulations. This will be used against future output VAT liabilities or will be claimed as tax credits. Management has estimated that all input VAT is recoverable at its full amount.

Miscellaneous deposits mainly represent the Group's refundable rental, utilities and guarantee deposits on various machinery and equipment items.

11. Available-for-Sale Financial Assets

This account consists of:

| | Unaudited September 2017 | Audited December 2016 |
|-------------------------------|-----------------------------|--------------------------|
| Quoted shares - at fair value | ₱74,383,855 | ₱59,332,410 |
| Unquoted shares - at cost | 408,092,339 | 462,751,831 |
| | ₱482,476,194 | ₱522,084,241 |

Rollforward analysis of the account follow:

| | Unaudited September 2017 | Audited December 2016 |
|--|-----------------------------|--------------------------|
| Balance at beginning of year | ₱522,084,241 | ₱632,669,043 |
| Additions | 20,865,000 | — |
| Disposals and redemption | (75,559,500) | (103,644,149) |
| Return of capital | — | (53,000) |
| Impairment loss | — | — |
| Reduction | — | — |
| Net unrealized loss recognized in other comprehensive income | 15,086,453 | (6,887,653) |
| | ₱482,476,194 | ₱522,084,241 |

Movements in the net accumulated unrealized gain on available-for-sale financial assets are as follows:

| | Unaudited September 2017 | Audited December 2016 |
|---|-----------------------------|--------------------------|
| Attributable to equity holders of the parent: | | |
| Balance at beginning of year | ₱79,859,050 | ₱86,516,972 |
| Loss recognized in OCI | 10,399,331 | (6,657,922) |
| Balance at end of year | 90,258,381 | 79,859,050 |
| Noncontrolling interest: | | |
| Balance at beginning of year | 2,685,859 | 2,915,590 |
| Loss recognized in OCI | 4,653,114 | (229,731) |
| Balance at end of year | 7,338,973 | 2,685,859 |
| | ₱97,597,354 | ₱82,544,909 |

The unquoted shares consist of shares of the following nonlisted companies:

| | Unaudited September 2017 | Audited December 2016 |
|---|-----------------------------|--------------------------|
| PetroGreen Energy Corporation | ₱258,079,889 | ₱237,279,889 |
| Hermosa Ecozone Development Corporation | 100,000,000 | 100,000,000 |
| RCBC Realty Corporation (RRC) | 28,552,932 | 104,112,432 |
| Brightnote Assets Corporation | 11,000,000 | 11,000,000 |
| Sta. Elena Properties | 7,680,033 | 7,680,033 |
| Subic Power Corporation | 37,500 | 37,500 |
| Others | 2,741,984 | 2,641,977 |
| | ₱408,092,338 | ₱462,751,831 |

12. Investments in Associates and Joint Venture

The rollforward analysis of this account follows:

| | Unaudited September 2017 | Audited December 2016 |
|---|-----------------------------|--------------------------|
| Acquisition cost | | |
| Balances at beginning | ₱3,320,189,223 | ₱2,509,185,650 |
| Additions | — | 296,369,355 |
| Reclassification | — | 518,826,000 |
| Return of investments | — | (4,191,782) |
| Balance at end of year | 3,320,189,223 | 3,320,189,223 |
| Accumulated impairment loss | 74,536,609 | 74,536,609 |
| Accumulated equity in net earnings | | |
| Balance at beginning of year | 394,177,443 | 1,521,558,753 |
| Equity in net losses | 427,643,456 | (1,094,246,390) |
| Dividends received | (12,959,967) | (33,134,920) |
| Balance at end of year | 808,860,932 | 394,177,443 |
| Subtotal | 4,054,513,546 | 3,639,830,057 |
| Equity in cumulative translation adjustment | 99,461,078 | 82,240,293 |
| | ₱4,153,974,624 | ₱3,722,070,350 |

13. Property and Equipment

Property and equipment at revalued amount

Movements in the revalued land are as follows:

| | Unaudited September 2017 | Audited December 2016 |
|------------------------------|-----------------------------|--------------------------|
| Balance at beginning of year | ₱4,955,173,600 | ₱4,578,358,058 |
| Additions: | | |
| Acquisition | — | — |
| Capitalizable costs | 417,773 | 2,060,700 |
| Appraisal increase | — | 374,754,842 |
| Balance at end of year | ₱4,955,591,373 | ₱4,955,173,600 |

Capitalizable costs include taxes paid for purchase of land.

As of December 31, 2016, 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 (5% to -15%), utility (-5%), location (5%), among others. Significant favorable (unfavorable) adjustments to aforementioned factors based on the professional judgement of the independent appraisers would increase (decrease) the fair value of the land (level 3 - Significant unobservable inputs). The parcels of land were valued in terms of their highest and best use.

As of September 30, 2017 and December 31, 2016, the cost of the parcels of land carried at revalued amounts amounted to ₱2,462.8 million.

Property and equipment at cost

The rollforward analysis of this account follows:

| | Unaudited September 2017 | Audited December 2016 |
|---|-----------------------------|--------------------------|
| At Cost | | |
| Land, Buildings and Improvements | ₱3,083,612,932 | ₱3,039,955,176 |
| Machinery, Tools and Construction Equipment | 4,974,803,346 | 4,590,276,394 |
| Transportation and Service Equipment | 1,247,123,375 | 1,311,587,441 |
| Furniture, Fixtures and Office Equipment | 2,302,808,051 | 2,170,820,187 |
| | 11,608,347,704 | 11,112,639,198 |
| Less: Accumulated Depreciation | (5,977,729,139) | (5,393,990,991) |
| | 5,630,618,565 | 5,718,648,207 |
| Construction in Progress | 794,049,957 | 55,586,824 |
| Net book value at Cost | ₱6,424,668,522 | ₱5,774,235,031 |

14. Goodwill

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

| | Unaudited September 2017 | Audited December 2016 |
|----------------------------------|-----------------------------|--------------------------|
| EEI Corporation and Subsidiaries | ₱300,859,305 | ₱300,859,305 |
| Malayan Colleges, Inc. | 137,853,346 | 137,853,346 |
| iPeople,inc. | 32,644,808 | 32,644,808 |
| | ₱471,357,459 | ₱471,357,459 |

15. Investment Properties

The rollforward analysis of this account follows:

| | Unaudited September 30, 2017 | | |
|--|--|---|---------------------|
| | Land Held for Capital Appreciation | Condominium Units and Parking Slots | Total |
| Cost | | | |
| Balances at beginning of year | ₱ 195,410,421 | ₱ 24,507,418 | ₱219,917,839 |
| Additions | — | — | — |
| Disposals | (1,618,998) | (9,052,044) | (10,671,042) |
| Balances at end of year | 193,791,423 | 15,455,374 | 209,246,797 |
| Accumulated Depreciation and Amortization | | | |
| Balances at beginning of year | — | 12,103,242 | 12,103,242 |
| Additions | — | 824,833 | 824,833 |
| Disposals | — | (4,788,095) | (4,788,095) |
| Balances at end of year | — | 8,139,980 | 8,139,980 |
| Net Book Value | ₱193,791,423 | ₱7,315,394 | ₱201,106,817 |

| | Audited December 31, 2016 | | |
|---|--|---|--------------|
| | Land Held for Capital Appreciation | Condominium Units and Parking Slots | Total |
| Cost | | | |
| Balances at beginning of year | ₱205,802,291 | ₱52,391,054 | ₱258,193,345 |
| Disposals | (10,391,870) | (27,883,636) | (38,275,506) |
| Balances at end of year | 195,410,421 | 24,507,418 | 219,917,839 |
| Accumulated Depreciation and Amortization | | | |
| Balances at beginning of year | – | 19,669,845 | 19,669,845 |
| Depreciation and amortization | – | 1,336,639 | 1,336,639 |
| Disposals | – | (8,903,242) | (8,903,242) |
| Balances at end of year | – | 12,103,242 | 12,103,242 |
| Net Book Value | ₱195,410,421 | ₱12,404,176 | ₱207,814,597 |

Investment properties represent various parcels of land, condominium units and parking slots held for capital appreciation and rental, respectively.

The fair value of the land and condominium units and parking slots was arrived at using the Market Data Approach. In this approach, the value of the land and condominium units and parking slots are based on sales and listings of comparable properties registered within the vicinity.

The land was valued in terms of their highest and best use which is categorized under Level 3 of the fair value hierarchy. There was no transfer between levels of fair value measurement in 2017 and 2016.

None of the investment properties were pledged as a security to obligations as of September 30, 2017 and December 31, 2016.

16. Other Noncurrent Assets

This account consists of:

| | Unaudited September 2017 | Audited December 2016 |
|---|-----------------------------|--------------------------|
| Receivable from a customer (Note 11) | ₱216,281,717 | ₱– |
| Receivable from EEI-RFI - net of current portion (Notes 11 and 22) | 178,000,000 | 178,000,000 |
| Computer software | 13,366,711 | 13,772,672 |
| Others | 34,821,420 | 63,227,166 |
| | ₱442,469,848 | ₱254,999,838 |

The Group sold a parcel of land to EEI-RFI, a trustee of the EEI's employee retirement fund in previous years. Both parties agreed the selling price be repaid in installments and bear annual interest rate of 5%. In 2016, the Group and the Fund agreed to extend the term of the payment until April 30, 2021.

Receivable from a customer represents advances to project owner subject to liquidation after project completion expected to be completed beyond one year.

There was no impairment recognized for computer software in 2017 and 2016.

Rollforward of computer software follows:

| | Unaudited September 2017 | Audited December 2016 |
|--------------------------------------|-----------------------------|--------------------------|
| Cost | | |
| Balance at the beginning of the year | ₱105,095,475 | ₱96,024,917 |
| Additions | 4,769,087 | 9,070,558 |
| Balance at the end of the year | 109,864,562 | 105,095,475 |
| Accumulated Amortization | | |
| Balance at the beginning of the year | 91,322,803 | 80,233,089 |
| Amortization (Note 29) | 5,175,048 | 11,089,714 |
| Balance at the end of the year | 96,497,851 | 91,322,803 |
| Net Book Value | ₱13,366,711 | ₱13,772,672 |

Other noncurrent assets include noncurrent deferred charges, deposit on contracts, refund from Meralco, receivable from PGEC and others.

17. Accounts Payable and Accrued Expenses

This account consists of:

| | Unaudited September 2017 | Audited December 2016 |
|---------------------------------------|-----------------------------|--------------------------|
| Accounts payable | ₱4,227,966,600 | ₱5,042,381,584 |
| Deferred output taxes | 600,528,613 | 604,419,731 |
| Accrued expenses | 210,821,566 | 293,063,159 |
| Provisions | 142,976,418 | 142,976,418 |
| Output tax payable | 115,880,853 | 138,489,300 |
| Withholding taxes and others | 70,582,403 | 57,660,445 |
| Subscriptions payable | 31,988,718 | 31,988,718 |
| SSS and other contributions | 30,737,118 | 26,677,549 |
| Dividends payable | 28,050,622 | 23,372,820 |
| Chattel mortgage payable | 14,962,648 | 15,531,566 |
| Payable to PTC | 13,052,018 | 13,052,018 |
| Deferred income | 3,499,465 | 3,679,534 |
| Payable to Land Transportation Office | 956,724 | 7,590,214 |
| Others | 72,056,105 | 72,025,693 |
| | ₱5,564,059,871 | ₱6,472,908,749 |

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.

Subscriptions payable represents unpaid subscriptions on equity securities.

Accrued expenses consist of:

| | Unaudited September 2017 | Audited December 2016 |
|----------------------------|-----------------------------|--------------------------|
| Accrued salaries and wages | ₱37,270,517 | ₱25,481,445 |
| Accrued rent | 31,750,528 | 38,459,033 |

Forward

| | Unaudited September 2017 | Audited December 2016 |
|---------------------------|-------------------------------------|----------------------------------|
| Accrued insurance | 28,534,813 | 31,941,963 |
| Accrued security services | 12,943,449 | 12,479,188 |
| Accrued professional fees | 10,234,924 | 7,478,169 |
| Accrued interest | 7,589,593 | 12,864,670 |
| Accrued utilities | 2,995,730 | 3,608,160 |
| Others | 79,502,012 | 160,750,531 |
| | ₱210,821,566 | ₱293,063,159 |

Provisions include the Groups' recognized payable associated with the Faculty Associations of Mapua Institute of Technology (FAMIT) reranking case. This case involves the faculty ranking and evaluation instrument that was part of the 2001 Collective Bargaining Agreement negotiations with the FAMIT. The Supreme Court reversed an earlier Court of Appeals decision in favor of management. An entry of judgment dated March 13, 2008 was made in the Supreme Court Book of Entries of Judgments, making the decision final and executory. A Memorandum of Agreement was entered into by management with FAMIT before the Voluntary Arbitrators wherein the parties agreed to continue the process of faculty ranking. The evaluation process was completed in December 2008.

On January 22, 2009, MCI and FAMIT entered into a Compromise Agreement regarding the payment of the amounts due to the permanent faculty members of MCI in relation to the faculty reranking case.

As at September 30, 2017 and December 31, 2016, total accumulated payments to faculty members amounted to ₱230.78 million.

18. Loans Payable

This account consists of:

| | Unaudited September 2017 | Audited December 2016 |
|-------------------------|-------------------------------------|----------------------------------|
| Loans payable (Note 22) | | |
| Unsecured bank loans | ₱4,910,000,000 | ₱3,600,000,000 |
| Secured bank loans | 800,000,000 | 500,000,000 |
| | ₱5,710,000,000 | ₱4,100,000,000 |

Unsecured

Unsecured bank loans are obtained from local banks and related party financial institutions with annual interest rates ranging from 2.50% to 3.00% in 2017 and 2016, respectively.

Secured

The secured loans from local banks bear annual interest rates ranging from 3.00% to 3.25% in 2017 and 2016, respectively. The carrying value of the investments in subsidiary (at cost) held as collaterals amounted to ₱33.7 million as of September 30, 2017 and December 31, 2016, respectively.

19. Long-term Debt

This pertains to the long-term debt of the following companies:

| | Unaudited September 2017 | Audited December 2016 |
|--|-----------------------------|--------------------------|
| Parent Company | | |
| Peso-denominated syndicated bank loan payable within ten (10) years which shall commence after three (3) years from the date of issue with a floating rate per annum based on the higher of (i) the three (3) - month Philippine Dealing System Treasury Reference Rates - Fixing (PDST-F) plus a spread of two percent (2.0%) per annum or (ii) the BSP overnight rate plus a spread of 1.5% | ₱591,759,005 | ₱631,847,726 |
| Peso-denominated syndicated bank loan payable within 10 years which shall commence after three (3) years from the date of issue with a fixed rate per annum based on the highest of (i) five (5)-year PDST-F, plus a spread of 2.0% per annum or (ii) floating rate per annum based on the higher of (i) the three (3) - month Philippine Dealing System Treasury Reference Rates - Fixing (PDST-F) plus a spread of 2.0% per annum or (ii) the BSP overnight rate plus a spread of 1.5% or (iii) 5.5% per annum | 591,759,004 | 631,847,725 |
| Peso-denominated five (5) year term loan, payable in twenty (20) equal quarterly installments starting March 2016 with interest of 5.11% per annum | 325,000,000 | 400,000,000 |
| EEl Power | | |
| Peso-denominated seven (7) year term loan, payable in equal quarterly installments and will mature on August 27, 2022 with interest of 4.80% per annum. | 357,142,856 | 410,714,285 |
| EEl | | |
| Fixed-rate corporate promissory notes with effective interest rates of 5.1667% and 5.1875% per annum | 928,571,429 | 1,089,285,714 |
| | 2,794,232,294 | 3,163,695,450 |
| Less current portion of long-term debt | 491,853,300 | 491,748,610 |
| | ₱2,302,378,994 | ₱2,671,946,840 |

Parent Company

On September 17, 2013, the Parent Company obtained interest-bearing loans from various local commercial banks (Eastwest Bank, Robinsons Bank and Philippine Bank of Communications) which were executed through individual loan agreements with chattel mortgage. In the first quarter of 2017, the parties amended the loan agreement to remove and dispense with the obligation to provide collateral for the loan and that the chattel mortgage shall be cancelled and released.

Each interest-bearing loan has a term of ten years. Fifty percent (50%) of the total loan will be paid on the 10th year, while the remaining 50% of the loan, inclusive of a three (3) year grace period on principal payment, will be paid in 28 quarterly instalments commencing on the 13th quarter.

The proceeds of the loan were used for the acquisition of the 10% ownership in RRC. A portion of each loan bears a fixed annual effective interest rate of 5.5%, subject to repricing on the fifth (5) year while the remaining portion bears a floating effective interest rate of 5%, subject to quarterly repricing.

The aggregate outstanding long-term debt to the three (3) banks amounted to ₱1,508.5 million and ₱1,663.7 million as of September 30, 2017 and December 31, 2016, respectively.

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. This loan was secured by shares of the Parent Company to a subsidiary, with a carrying value amounting to ₱75.70 million.

Subsequently, in the first quarter of 2017, the parties amended the loan agreement to remove and dispense with the obligation to provide collateral for the loan and that the pledge agreement shall be cancelled and released.

The Parent Company is required to maintain specified financial ratios such as debt to equity and current ratios. As of September 30, 2017 and December 31, 2016, the Parent Company was in compliance with the loan covenants.

EEI Power Corporation

On August 28, 2015, EEI Power entered into a 4.8% per annum fixed rate term loan amounting to ₱500.0 million with the Bank of the Philippines Islands (BPI) and will mature on August 27, 2022.

The Group has complied with all loan covenants for the years ended September 30, 2017 and December 31, 2016.

EEI

On June 15, 2015, EEI obtained a loan from Land Bank of the Philippines amounting to ₱1,000.0 million with an interest of 4.8% per annum. This loan matures within seven (7) years from the date of issue.

In 2014, 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 5.2%. Subsequently, the bank reduced the interest rate to 4.8% effective starting May 26, 2015 until maturity. The promissory notes mature within seven (7) years from the date of issuance. The proceeds of the loan were used for general corporate and project financing requirements.

The aforementioned loans require the EEI to maintain certain financial ratios. As of September 30, 2017 and December 31, 2016, the Group was in compliance with the loan covenants.

20. Retained Earnings

In accordance with SRC Rule No. 68, As Amended (2011), Annex 68-C, after reconciling items, the Parent Company's retained earnings available for dividend declaration as of September 30, 2017 amounted to ₱2,420.1 million.

Under the Tax Code, publicly-held corporations are allowed to accumulate retained earnings in excess of capital stock and are exempt from improperly accumulated earnings tax.

Restrictions

The Group's retained earnings include accumulated earnings of subsidiaries amounting ₱5,806.1 million and ₱5,332.1 million in September 30, 2017 and December 31, 2016, respectively, not declared as dividends to the Group. Accordingly, these are not available for dividend declaration.

The Group's retained earnings is restricted to payment of dividends to the extent of the cost of shares held in treasury amounting ₱2.6 million.

21. Capital Stock

The authorized preferred stock is 2,500,000,000 shares at ₱0.40 par value. A reconciliation of the number of preferred shares outstanding as at September 30, 2017 and as at December 31, 2016 and 2015 follows:

| | 2017 | | 2016 | | 2015 | |
|---|--------------|--------------|--------------|--------------|--------------|--------------|
| | Amount | Shares | Amount | Shares | Amount | Shares |
| Beginning of the year | ₱280,802,820 | 702,007,052 | ₱310,729,869 | 776,824,673 | ₱344,007,243 | 860,018,109 |
| Redemption of preferred stock | (20,538,093) | (34,233,812) | (29,927,049) | (74,817,621) | (33,128,338) | (82,820,845) |
| Conversion of preferred stock to common stock (Note 40) | — | — | — | — | (149,036) | (372,591) |
| | ₱260,264,727 | 667,773,240 | ₱280,802,820 | 702,007,052 | ₱310,729,869 | 776,824,673 |

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 June 30, 2017 and as at December 31, 2016 and 2015 follows:

| | 2017 | | 2016 | | 2015 | |
|---|--------------|-------------|--------------|-------------|--------------|-------------|
| | Amount | Shares | Amount | Shares | Amount | Shares |
| Beginning of the year | ₱924,444,172 | 616,296,114 | ₱924,444,172 | 616,296,114 | ₱924,295,136 | 616,196,757 |
| Conversion of preferred stock to common stock | — | — | — | — | 149,036 | 99,357 |
| | 924,444,172 | 616,296,114 | 924,444,172 | 616,296,114 | 924,444,172 | 616,296,114 |
| Treasury stock | (2,607,600) | (300,000) | (2,607,600) | (300,000) | (2,607,600) | (300,000) |
| | ₱921,836,572 | 615,996,114 | ₱921,836,572 | 615,996,114 | ₱921,836,572 | 615,996,114 |

On May 24, 2013, the Parent Company repurchased 300,000 shares held as treasury stock at ₱8.69 per share for ₱2.61 million.

Details of the capital redemption and conversion follow:

| Date of Redemption | Amount | | Record Date | Payment Date |
|--------------------|-------------|-------|-------------------|--------------------|
| March 31, 2017 | ₱7,020,070 | ₱0.40 | April 28, 2017 | May 22, 2017 |
| July 21, 2017 | 6,844,568 | 0.40 | August 18, 2017 | September 13, 2017 |
| September 29, 2016 | 6,673,454 | 0.40 | October 27, 2017 | November 27, 2017 |
| | ₱20,538,092 | | | |
| March 31, 2016 | ₱7,768,247 | ₱0.40 | April 28, 2016 | May 24, 2016 |
| July 15, 2016 | 7,574,041 | 0.40 | August 12, 2016 | September 8, 2016 |
| September 30, 2016 | 7,384,689 | 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 | | | |
| March 20, 2015 | ₱8,600,181 | ₱0.40 | April 17, 2015 | May 13, 2015 |
| July 17, 2015 | 8,385,177 | 0.40 | August 14, 2015 | September 13, 2015 |
| September 24, 2015 | 8,175,547 | 0.40 | October 23, 2015 | November 17, 2015 |
| December 3, 2015 | 7,967,433 | 0.40 | December 29, 2015 | January 26, 2016 |
| | ₱33,128,338 | | | |

On November 26, 2015, 372,591 shares of preferred stock were converted into 99,357 of common stock with cost amounting to ₱0.1 million. There is no capital conversion in 2017 and 2016.

The Parent Company's preferred shares have the following features:

- Entitled to dividends at the rate of average 91-day T-Bill plus two percent;
- 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;
- 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
- 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 September 30, 2017:

| Year | Number of shares registered | Issue/offer price | Date of approval | Number of holders of securities as of year end |
|--------------------------|-----------------------------|-------------------|--------------------|--|
| Preferred shares: | | | | |
| January 1, 2016 | 776,824,673 | | | 49 |
| Movement: | (19,420,617) | 0.40 | March 31, 2016 | |
| | (18,935,100) | 0.40 | July 15, 2016 | |
| | (18,461,723) | 0.40 | September 30, 2016 | |
| | (18,000,181) | 0.40 | December 2, 2016 | |
| December 31, 2016 | 702,007,052 | | | 48 |
| Movement: | (17,550,176) | 0.40 | March 31, 2017 | |
| | (17,111,422) | 0.40 | July 21, 2017 | |
| | (16,683,637) | 0.40 | September 29, 2017 | |
| September 30, 2017 | 650,661,817 | | | 48 |
| Common Shares: | | | | |
| January 1, 2016 | 615,996,114 | | | 403 |
| No Movement | — | — | | |
| December 31, 2016 | 615,996,114 | | | 402 |
| No Movement | — | — | | |
| September 30, 2017 | 615,996,114 | | | 392 |

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 48 and 392, respectively, as of September 30, 2017 and 48 and 402, as of December 31, 2016, respectively.

22. Cash Dividends

Cash Dividends

The BOD declared cash dividends as follows:

| Date of BOD Approval | Amount | Amount per share | | Record Date | Payment Date |
|----------------------|--------------------|------------------|---------------|-------------------|--------------------|
| | | Preferred Shares | Common Shares | | |
| March 31, 2017 | ₱2,915,295 | ₱0.004 | ₱— | April 28, 2017 | May 21, 2017 |
| July 21, 2017 | 51,901,385 | 0.017 | 0.065 | August 18, 2017 | September 12, 2017 |
| July 21, 2017 | 2,878,826 | 0.004 | — | August 18, 2017 | September 12, 2017 |
| September 29, 2017 | 2,756,804 | 0.004 | — | October 27, 2017 | November 24, 2017 |
| | ₱60,452,310 | | | | |
| March 31, 2016 | ₱2,761,612 | ₱0.004 | ₱— | April 28, 2016 | May 20, 2016 |
| July 15, 2016 | 53,165,560 | 0.017 | 0.065 | August 12, 2016 | September 6, 2016 |
| July 15, 2016 | 2,729,936 | 0.004 | — | August 12, 2016 | September 2, 2016 |
| September 30, 2016 | 2,525,564 | 0.003 | — | October 28, 2016 | November 22, 2016 |
| December 8, 2016 | 2,476,824 | 0.003 | — | December 29, 2016 | January 23, 2017 |
| | ₱63,659,496 | | | | |
| March 20, 2015 | ₱2,983,403 | ₱0.004 | ₱— | April 17, 2015 | May 12, 2015 |
| July 17, 2015 | 54,564,800 | 0.017 | 0.065 | August 14, 2015 | September 9, 2015 |
| July 17, 2015 | 3,311,306 | 0.003 | — | August 14, 2015 | May 12, 2015 |
| September 24, 2015 | 3,156,579 | 0.003 | — | October 23, 2015 | November 13, 2015 |
| December 8, 2015 | 2,947,950 | 0.003 | — | December 29, 2015 | January 22, 2016 |
| | ₱66,964,038 | | | | |

23. Earnings Per Share

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

Unaudited basic earnings per share

| | January to September 30 | | |
|---|-------------------------|--------------|---------------|
| | 2017 | 2016 | 2015 |
| Net income attributable to equity holders of parent company | ₱757,266,804 | ₱519,457,741 | ₱ 757,574,190 |
| Less dividends attributable to preferred shares (Note 21) | 20,412,562 | 21,142,672 | 23,982,799 |
| Net income applicable to common shares | 736,854,242 | 498,315,069 | 733,591,391 |
| Divided by the weighted average number of common shares | 615,996,114 | 615,996,114 | 615,896,757 |
| Basic earnings per share | ₱1.1962 | ₱0.8090 | ₱1.1911 |

Unaudited diluted earnings per share

| | January to September 30 | | |
|--|-------------------------|--------------|--------------|
| | 2017 | 2016 | 2015 |
| Net income applicable to common shares | ₱736,854,242 | ₱498,315,069 | ₱733,591,391 |
| Add dividends attributable to preferred shares | 20,412,562 | 21,142,672 | 23,982,799 |

Forward

| | | | |
|---|--------------------|-------------|-------------|
| Net income applicable to common shares for diluted earnings per share | 757,266,804 | 519,457,741 | 757,574,190 |
| Weighted average number of common shares | 615,996,114 | 615,996,114 | 615,896,757 |
| Dilutive shares arising from convertible preference shares | 173,509,818 | 192,001,928 | 218,014,590 |
| Weighted average number of common shares for diluted earnings per share | 789,505,932 | 807,998,042 | 833,911,347 |
| Diluted earnings per share | ₱0.9592 | ₱0.6429 | ₱0.9085 |

24. Other Income

This account consists of:

| | January to September 30 | | |
|--|-------------------------|--------------|--------------|
| | 2017 | 2016 | 2015 |
| Commission income | ₱83,057,318 | ₱73,724,490 | ₱56,338,699 |
| Dealers Income | 77,487,589 | 94,942,093 | 80,139,069 |
| Income from reversal of payables | 62,634,385 | 2,019,240 | 7,983,000 |
| Interest income | 60,729,873 | 46,702,502 | 30,836,375 |
| Gain on redemption of preferred stock | 42,565,500 | 18,918,000 | 39,625,886 |
| Rental income | 13,466,951 | 11,377,390 | 18,444,036 |
| Foreign exchange loss | 10,416,781 | 258,951 | (33,590,759) |
| Insurance income | 9,911,122 | 10,752,171 | 16,700,809 |
| Income from defaults | 5,712,468 | — | — |
| Gain on sale from investment property | 5,016,577 | 9,866,000 | 4,938,000 |
| Recoveries of previously written-off receivables | 4,241,071 | | |
| Gain on sale from property and equipment | 2,600,512 | 2,906,803 | 3,910,630 |
| Refund and discount | 2,401,143 | 16,987,217 | 1,875,000 |
| Income from sale of pre-owned cars | 330,333 | 326,903 | 666,000 |
| Gain on sale from AFS securities | — | 4,118,571 | 4,723,125 |
| Miscellaneous | 37,657,510 | 30,273,898 | 25,421,713 |
| | ₱418,229,133 | ₱323,174,229 | ₱258,011,583 |

Commission income pertains to the commission received by the Parent Company as compensation for the services they performed as a third party for the processing of bills of PLDT, SMART and regular purchases of its affiliates in the Yuchengco Group of Companies (YGC).

Interest income consists of income from:

| | January to September 30 | | |
|--|-------------------------|-------------|-------------|
| | 2017 | 2016 | 2015 |
| Installment contract receivable | ₱37,972,378 | ₱13,429,000 | ₱— |
| Cash in banks and short-term investments | 13,502,555 | 19,916,478 | 14,854,591 |
| Receivable from EEI-RFI | 7,549,479 | 9,271,000 | 12,768,000 |
| Receivable from related parties | 236,835 | 3,825,156 | 2,798,784 |
| Others | 1,468,626 | 260,868 | 415,000 |
| | ₱60,729,873 | ₱46,702,502 | ₱30,836,375 |

Miscellaneous include income from sale of sludge and used oil, rebate from purchase of fuel, and share in savings from utility companies.

25. Costs of Sales and Services

This account consists of:

| | January to September 30 | | |
|---------------------------------------|-------------------------|-----------------|-----------------|
| | 2017 | 2016 | 2015 |
| Cost of services | | | |
| Cost of construction contracts | ₱8,035,361,469 | ₱8,953,299,000 | ₱11,966,227,000 |
| Cost of manpower and other services | 1,039,782,081 | 966,310,408 | 933,342,177 |
| | 9,075,143,550 | 9,919,609,408 | 12,899,569,177 |
| Cost of goods sold | | | |
| Cost of merchandise sold | ₱6,566,291,348 | ₱5,407,991,559 | ₱4,881,981,585 |
| Cost of real estate sold | 17,037,937 | 7,441,000 | 5,654,000 |
| | 6,583,329,285 | 5,415,432,559 | 4,887,635,585 |
| Cost of school and related operations | 943,837,258 | 924,922,950 | 860,726,491 |
| | ₱16,602,310,093 | ₱16,259,964,917 | ₱18,647,931,253 |

26. Tuition and other fees

This amount consists of:

| | January to September 30 | | |
|--|-------------------------|--------------|---------------|
| | 2017 | 2016 | 2015 |
| Personnel expenses | ₱431,605,281 | ₱448,016,171 | ₱ 422,642,468 |
| Depreciation and amortization | 142,598,423 | 139,297,086 | 108,846,025 |
| Student-related expenses | 106,959,454 | 107,521,017 | 105,547,850 |
| Management and other professional fees | 82,700,206 | 66,568,236 | 50,650,596 |
| Utilities | 63,814,519 | 63,151,680 | 68,205,736 |
| Tools and library books | 18,679,954 | 17,201,637 | 20,468,035 |
| IT Expense - Software License | 18,152,703 | 17,146,985 | — |
| Seminar | 14,186,323 | 9,823,268 | 10,002,234 |
| Periodicals | 13,929,327 | 11,223,454 | 9,696,429 |
| Research and development fund | 10,059,642 | 6,080,611 | 4,046,089 |
| Repairs and maintenance | 8,697,890 | 8,081,923 | 7,116,587 |
| Accreditation cost | 6,604,848 | 3,836,946 | 7,971,684 |
| Advertising | 6,537,009 | 9,531,816 | 19,063,804 |
| Office supplies | 5,126,713 | 3,533,949 | 5,026,354 |
| Laboratory supplies | 4,884,000 | 6,081,221 | 5,518,526 |
| Insurance | 4,693,310 | 3,969,376 | 3,185,200 |
| Taxes and licenses | 1,281,502 | 1,459,835 | 1,339,092 |
| Transportation and travel | 933,345 | 500,510 | 1,408,660 |
| Rent | 541,117 | 665,711 | 1,128,641 |
| Entertainment, amusement, and recreation | 287,154 | 205,981 | 258,908 |
| Miscellaneous | 1,564,536 | 1,025,536 | 8,603,573 |
| | ₱943,837,258 | ₱924,922,950 | ₱860,726,491 |

27. General and Administrative Expenses

This account consists of:

| | January to September 30 | | |
|---|--------------------------------|----------------|----------------|
| | 2017 | 2016 | 2015 |
| Personnel | ₱682,254,767 | ₱650,559,695 | ₱541,606,605 |
| Rent, light and water | 177,568,605 | 161,295,464 | 157,661,271 |
| Depreciation and amortization | 142,007,269 | 130,710,120 | 137,704,263 |
| Taxes and licenses | 89,138,981 | 86,450,900 | 76,738,605 |
| Advertising and promotions | 72,467,799 | 60,040,542 | 43,644,277 |
| Transportation and travel | 55,297,967 | 48,068,542 | 44,529,552 |
| Entertainment, amusement and recreation | 50,466,252 | 58,924,257 | 55,393,959 |
| Professional fees | 44,901,830 | 47,581,045 | 40,188,062 |
| Securities and utilities | 40,759,336 | 35,973,468 | 37,945,117 |
| Direct expenses | 34,938,093 | 29,923,730 | 20,484,011 |
| Management and other fees | 24,335,128 | 24,302,991 | 29,219,900 |
| Repairs and maintenance | 21,590,689 | 20,409,465 | 22,264,235 |
| Office expenses | 20,107,827 | 21,389,222 | 18,625,491 |
| Commissions | 19,761,458 | 22,419,607 | 18,770,711 |
| Insurance | 19,119,794 | 18,465,143 | 13,607,967 |
| Donations and contributions | 12,484,756 | 18,733,126 | 8,462,119 |
| Provision for probable losses | 1,874,646 | 235,493 | (7,862,189) |
| Seminars | 1,221,051 | 3,355,817 | 1,959,965 |
| Provision for impairment | - | - | 5,627,847 |
| Accreditation cost | - | - | 653,671 |
| Provision (recovery) for inventory obsolescence | (1,390,000) | - | 515,513 |
| Miscellaneous | 134,738,877 | 133,748,811 | 153,253,091 |
| | ₱1,643,645,123 | ₱1,572,587,439 | ₱1,420,994,042 |

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

28. Noncontrolling Interest

Noncontrolling interest in consolidated subsidiaries represents shareholdings in subsidiaries not held by the Group.

Dividends paid to noncontrolling interest in consolidated subsidiaries amounted to ₱45.48 million, ₱140.31 million and ₱145.71 million as at September 30, 2017, 2016 and 2015, respectively.

29. Operating Segment Information

For management purposes, the Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

Segment financial information is reported on the basis that it is used internally for evaluating segment performance and allocating resources to segments.

The Group derives its revenues from the following reportable segments:

Construction and Infrastructure - mainly consists of revenues from EEI Corporation and subsidiaries as a general contractor and trader of construction equipment and parts. The subsidiaries of EEI are mainly involved in the provision for manpower services, construction, trading of equipment, power generation, steel fabrication, real estate and others.

Consumer Finance - represents the general financing and investment business of ZIFC.

Education and Information Technology - primarily consists of revenues from iPeople and subsidiaries (including MCI) in education, consulting, development, installation and maintenance of information technology systems.

Car Dealership - represents automotive dealerships of the Group.

Other Services - represent support services which cannot be directly identified with any of the reportable segments mentioned above. These include sale of pharmaceutical products, trading of consumer goods and rendering various services to the consumers.

Segment assets and liabilities exclude deferred income tax assets and liabilities. Inter-segment income arise from transactions that were made on terms equivalent to those that prevail in an arms-length transactions.

Management monitors construction revenue and segment net income for the purpose of making decisions about resource allocation. Segment performance is evaluated based on net income and construction revenue.

Segment reporting is consistent in all periods presented as there are no changes in the structure of the Group's internal organization that will cause the composition of its reportable segment to change.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

House of Investments Inc and Subsidiaries
Unaudited Operating Segment
For the Quarters ended September 30, 2017 and 2016

| | Education and | | | | | | | | | | | | Consolidated | |
|---------------------------|---------------------------------|----------------|---------------------|-------------|------------------------|---------------|----------------|---------------|----------------|---------------|-----------------|-----------------|----------------|----------------|
| | Construction and Infrastructure | | Property Management | | Information Technology | | Car Dealership | | Other Services | | Eliminations | | | |
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Revenues | 10,532,197,983 | 11,053,101,000 | 149,279,304 | 127,599,044 | 1,497,632,689 | 1,776,951,059 | 7,369,443,334 | 6,103,027,425 | 208,711,421 | 370,960,299 | (759,835,142) | (315,587,755) | 18,997,429,600 | 19,116,051,071 |
| Net Income (Loss) | 504,003,477 | (313,832,000) | 39,377,723 | 30,599,809 | 329,042,073 | 540,620,470 | 55,799,045 | 46,698,324 | 392,990,274 | 497,150,173 | (220,591,327) | (251,754,633) | 1,100,621,266 | 549,482,144 |
| Other Information | | | | | | | | | | | | | | |
| Segment Assets | 20,475,117,592 | 20,203,094,143 | 180,710,625 | 160,591,198 | 7,579,404,959 | 6,529,471,545 | 3,349,157,075 | 3,577,152,699 | 5,150,718,964 | 4,528,028,377 | (1,159,381,366) | (1,309,624,305) | 35,575,727,848 | 33,688,713,656 |
| Segment Liabilities | 14,083,591,518 | 14,359,369,382 | 115,521,809 | 116,780,106 | 1,858,671,513 | 1,013,867,228 | 1,536,371,416 | 1,432,410,060 | 2,588,476,256 | 2,431,880,692 | (243,433,514) | (271,481,705) | 19,939,198,998 | 19,082,825,763 |
| Investments in Associates | 1,482,070,118 | 1,269,935,972 | 6,750,000 | 4,750,000 | - | - | - | - | 4,036,851,397 | 4,036,851,397 | (1,371,696,884) | (1,589,467,019) | 4,153,974,624 | 3,724,070,350 |

HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES
SUPPLEMENTARY INFORMATION AND DISCLOSURES REQUIRED ON
SRC RULE 68 AS AMENDED
September 30, 2017

Philippine Securities and Exchange Commission (SEC) issued the amended Securities Regulation Code Rule SRC Rule 68 which consolidates the two separate rules and labeled in the amendment as “Part I” and “Part II”, respectively. It also prescribed the additional information and schedule requirements for issuers of securities to the public.

Below are the additional information and schedules required by SRC Rule 68, as Amended (2011), that are relevant to the Group. This information is presented for purposes of filing with the SEC and is not required part of the basic financial statements.

Schedule A. Financial Assets in Equity Securities

The Group is not required to disclose the financial assets in equity securities as the total available-for-sale securities amounting ₱482.48 million do not constitute 5% or more of the total current assets of the Group as at September 30, 2017.

Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (other than related parties)

Below is the schedule of advances to employees of the Group with balances above ₱100,000 as of September 30, 2017:

| Name | Balance at beginning of year | Additions | Collections/ Liquidations | Balance at end of period |
|----------------------------|---|-------------------|--------------------------------------|-------------------------------------|
| <i>EEI Group</i> | | | | |
| Macapagal, Norman K. | ₱1,532,053 | ₱40,513 | ₱ (37,758) | ₱1,534,808 |
| Alonzo, Antonina J. | 121,292 | — | — | 121,292 |
| Burgos, Manuel B. | 108,150 | — | (11,129) | 108,150 |
| Albarda, Joh Christian | 166,866 | 11,129 | (33,497) | 133,369 |
| Largosta, Christopher M. | 149,670 | — | (26,000) | 123,670 |
| Matibag, Jun E. | 131,582 | — | (27,000) | 104,582 |
| Bernal, Edgardo A. | 125,549 | — | — | 125,549 |
| Alcaraz, Jimmy S. F) | 172,643 | — | (21,798) | 150,845 |
| Bundalian, Rolando S. | 101,760 | 1,016 | (1,016) | 101,760 |
| Tamos Jr. Eduardo C. | 113,445 | 190,000 | (44,500) | 258,945 |
| Alon, Ronaldo M. | 100,000 | — | — | 100,000 |
| Puyat, Gil S. | 167,526 | 700,032 | (587,556) | 280,002 |
| Agtoto, Jerry O. | — | 100,000 | — | 100,000 |
| Menchero, Fortunato S. | — | 250,080 | (51,000) | 199,080 |
| Nicol, Franklyn N. | — | 184,574 | (42,000) | 142,574 |
| Padrique, Danilo N. | — | 117,500 | (17,500) | 100,000 |
| Penas, Abrilleno F. | — | 208,920 | (40,800) | 168,120 |
| Saludadez, Juanito T. | — | 119,515 | — | 119,515 |
| Satur, Salustiano O. | — | 106,947 | — | 106,947 |
| Lachica, Ryan H. | — | 198,922 | (77,279) | 121,643 |
| Abrenica, Frances Estrella | — | 1,188,637 | — | 1,188,637 |
| Almejeda, Rodrigo J. | — | 200,000 | — | 200,000 |
| Espiritu, Jaime S. | — | 107,784 | — | 107,784 |
| Matias, Lauro Felicismo | — | 100,000 | — | 100,000 |
| Montecalvo, Dennis S. | — | 108,115 | — | 108,115 |
| Villanueva, Jose P. | — | 103,915 | — | 103,915 |
| Realin H. Marco Dindo | 668,405 | — | — | 668,405 |
| | ₱3,952,016 | ₱4,037,599 | (₱1,018,833) | ₱6,677,707 |

| Name | Balance at beginning of year | Additions | Collections/ Liquidations | Balance at end of period |
|------------------------------|------------------------------|-------------------|------------------------------|--------------------------|
| <i>iPeople Group</i> | | | | |
| Tiongco, Danilo R. | ₱ – | ₱463,444 | (₱23,172) | ₱440,272 |
| Costales, Aloysius Nathaniel | 519,584 | – | (97,437) | 422,147 |
| Mercado, Julius Ceasar P. | – | 402,220 | – | 402,220 |
| Agbulos, Erlin C. | 402,201 | – | (67,030) | 335,171 |
| Sabino, Lilibeth | – | 365,717 | (38,000) | 327,717 |
| Gochioco, Geraldine | 369,859 | – | (53,799) | 316,060 |
| Salvacion, Jonathan | 483,138 | – | (178,300) | 304,838 |
| Songsong, Maribel | 347,200 | – | (55,800) | 291,400 |
| Adanza, Carina Victoria T. | 297,154 | – | (36,950) | 260,204 |
| Francisco, Ruth C. | 310,387 | – | (58,070) | 252,317 |
| Sauquillo, Dante | 287,788 | – | (56,925) | 230,863 |
| Apsay, Christopher | 253,618 | – | (49,926) | 203,692 |
| Tablante, Dennis H. | 3,646 | 387,500 | (205,003) | 186,143 |
| Geguiento, Edgardo P. | 239,878 | – | (54,450) | 185,428 |
| Doma, Bonifacio T. Jr. | – | 189,750 | (4,744) | 185,006 |
| Papas, Aileen Kate A. | 244,347 | – | (66,640) | 177,707 |
| Ballado, Alejandro Jr. | 220,200 | – | (55,050) | 165,150 |
| Balan, Ariel Kelly | 217,142 | – | (55,050) | 162,092 |
| Camus, Rosette Eira | 197,979 | – | (54,825) | 143,154 |
| | ₱4,394,121 | ₱1,808,631 | (₱1,211,171) | ₱4,991,581 |
| <i>HI-Parent</i> | | | | |
| Panelo, Danilo P | ₱424,789 | ₱17,437 | (₱77,714) | ₱364,512 |
| De Lara, Ma. Elisa | 405,190 | 17,638 | (84,678) | 338,150 |
| Nuguid, Marissa P. | – | 527,161 | (212,703) | 314,458 |
| Cacho, Chona B. | – | 380,123 | (68,434) | 311,689 |
| Villegas, Sonia P | 314,977 | 12,981 | (96,677) | 231,281 |
| Bassig, Clarissa | 303,838 | 12,695 | (63,036) | 253,497 |
| Joven, Ma. Esperenza F | 289,297 | 15,686 | (86,478) | 218,505 |
| Cajes, Cicolo M.. | 297,288 | 110,009 | (103,980) | 303,317 |
| Galang, Alexander G. | 282,354 | 12,442 | (71,542) | 223,254 |
| Tanjangco, Joey | 273,445 | 15,383 | (87,008) | 201,820 |
| | ₱2,591,178 | ₱1,121,555 | (₱952,250) | ₱2,760,483 |
| Total | ₱10,937,315 | ₱6,967,785 | ₱(3,182,254) | ₱14,429,771 |

iPeople and HI-Parent's advances mainly pertain to the officers and employees car plan agreements. Such advances are interest-bearing and shall be liquidated on a monthly basis.

There were no amounts written off during the year. All receivables are expected to be collected within the next twelve months.

Schedule C. Amounts Receivable from/Payable to Related Parties which are eliminated during the Consolidation of Financial Statements

Below is the schedule of receivables (payables) with subsidiaries, which are eliminated in the consolidated financial statements as at September 30, 2017:

| 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 | ₱1,342,914 | ₱1,645,259 | (₱2,840,090) | ₱– | ₱148,083 |
| Dividends receivable | 23,500,000 | 20,000,000 | (28,500,000) | – | 15,000,000 |
| | 24,842,914 | 21,645,259 | (31,340,090) | – | 15,148,083 |
| <i>Greyhounds Security and Investigation Agency Corporation</i> | | | | | |
| Due from affiliates | 1,021,952 | 1,339,125 | (2,120,971) | – | 240,106 |

Forward

| Name and designation of debtor | Balance at beginning of period | Additions | Amounts collected | Amounts written off | Balance at end of period |
|---|--------------------------------|---------------------|----------------------|---------------------|--------------------------|
| <i>Investment Managers, Inc.</i> | | | | | |
| Due from affiliates | 544,887 | 5,112,816 | (5,213,919) | — | 443,784 |
| Dividends receivable | 1,300,000 | — | (1,300,000) | — | — |
| | 1,844,887 | 5,112,816 | (6,513,919) | — | 443,784 |
| <i>iPeople, inc. and subsidiaries</i> | | | | | |
| Due from affiliates | 9,940,613 | 42,482,946 | (42,025,670) | — | 10,397,889 |
| Dividends receivable | 14,062,201 | 90,627,255 | (70,324,564) | — | 34,364,892 |
| | 24,002,814 | 133,110,201 | (112,350,234) | — | 44,762,781 |
| <i>EEl Corporation and subsidiaries</i> | | | | | |
| Due from affiliates | 1,726,385 | 3,441,365 | (4,508,773) | — | 658,977 |
| <i>Honda Cars Kalookan</i> | | | | | |
| Due from affiliates | — | 212,859 | (212,859) | — | — |
| <i>Zamboanga Industrial Finance Corporation</i> | | | | | |
| Dividends receivable | — | 1,300,000 | (975,000) | — | 325,000 |
| <i>Hexagon Lounge, Inc.</i> | | | | | |
| Due from affiliates | — | 63,079 | (63,079) | — | — |
| <i>Zamboanga Carriers, Inc.</i> | | | | | |
| Due from affiliates | — | 900 | — | — | 900 |
| <i>Zambowood Realty and Development Corp</i> | | | | | |
| Due from affiliates | 700 | 1,300 | — | — | 2,000 |
| <i>Xamdu Motors, Inc.</i> | | | | | |
| Due from affiliates | — | 200 | — | — | 200 |
| | ₱53,439,652 | ₱166,227,104 | (158,084,925) | — | ₱61,581,831 |

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 September 30, 2017, the Group's intangible assets consist of goodwill and computer software. Goodwill in the Group's consolidated statements of financial position arose from the acquisition of EEI, iPeople, and Honda Cars Group. Details of the Group's intangible assets are as follows:

| Description | Beginning balance | Additions at cost | Charged to cost and expenses | Charged to other accounts | Other changes additions (deductions) | Ending balance |
|-------------------|---------------------|-------------------|------------------------------|---------------------------|--------------------------------------|---------------------|
| Goodwill | ₱471,357,459 | ₱— | ₱— | ₱— | ₱— | ₱471,357,459 |
| Computer Software | 13,772,672 | 4,769,087 | (5,175,047) | — | — | 13,366,712 |
| | ₱485,130,131 | ₱4,769,087 | (5,175,047) | ₱— | ₱— | ₱484,724,171 |

Schedule E. Long-term Debt

Below is the schedule of long-term debt of the Group:

| Type of Obligation | Amount | Current | Noncurrent |
|--|-----------------------|---------------------|-----------------------|
| Parent Company | | | |
| Peso-denominated syndicated bank loan payable within 10 years which shall commence after 3 years from the date of issue with a floating rate per annum based on the higher of (i) the three (3) - month Philippine Dealing System Treasury Reference Rates - Fixing (PDST-F) plus a spread of two (2.0%) per annum or (ii) the BSP overnight rate plus a spread of 1.5%. | ₱591,759,006 | ₱53,069,508 | ₱538,689,498 |
| Peso-denominated syndicated bank loan payable within 10 years which shall commence after 3 years from the date of issue with a fixed rate per annum based on the highest of (i) 5-year PDST-F, plus a spread of two (2.0%) per annum or (ii) floating rate per annum based on the higher of (i) the three (3) - month Philippine Dealing System Treasury Reference Rates - Fixing (PDST-F) plus a spread of two (2.0%) per annum or (ii) the BSP overnight rate plus a spread of 1.5% or (iii) 5.5% per annum. | 591,759,004 | 53,069,507 | 538,689,497 |
| Peso-denominated five (5) year term loan, payable quarterly starting March 2016 with interest of 5.11% per annum | 325,000,000 | 100,000,000 | 225,000,000 |
| EEI | | | |
| Fixed-rate corporate promissory notes with effective interest of 5.1875% on first draw down, 5.1667% on second draw down and 4.8% on subsequent draw downs as of May 2015 per annum for seven (7) years. | 928,571,428 | 214,285,714 | 714,285,714 |
| EEI Power | | | |
| Peso-denominated seven (7) year term loan, payable quarterly starting June 2014 with interest of 6.50% per annum inclusive of two (2) year grace period on principal amortization | 357,142,856 | 71,428,571 | 285,714,285 |
| | ₱2,794,232,294 | ₱491,853,300 | ₱2,302,378,994 |

Schedule F. Indebtedness to Related Parties (Long-term Loans from Related Companies)

As at September 30, 2017, the Group has no long-term loans from its related parties.

Schedule G. Guarantees of Securities of Other Issuers

There are no guarantees of securities of other issuing entities by the Group as at September 30, 2017.

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 | 615,996,114 | 294,759,570 | 1,956,615 | 319,277,929 |
| Preferred shares | 2,500,000,000 | 650,661,817 | 244,075,914 | — | 406,585,903 |

HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES**RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND
DECLARATION
FOR THE QUARTER ENDED SEPTEMBER 30, 2017**

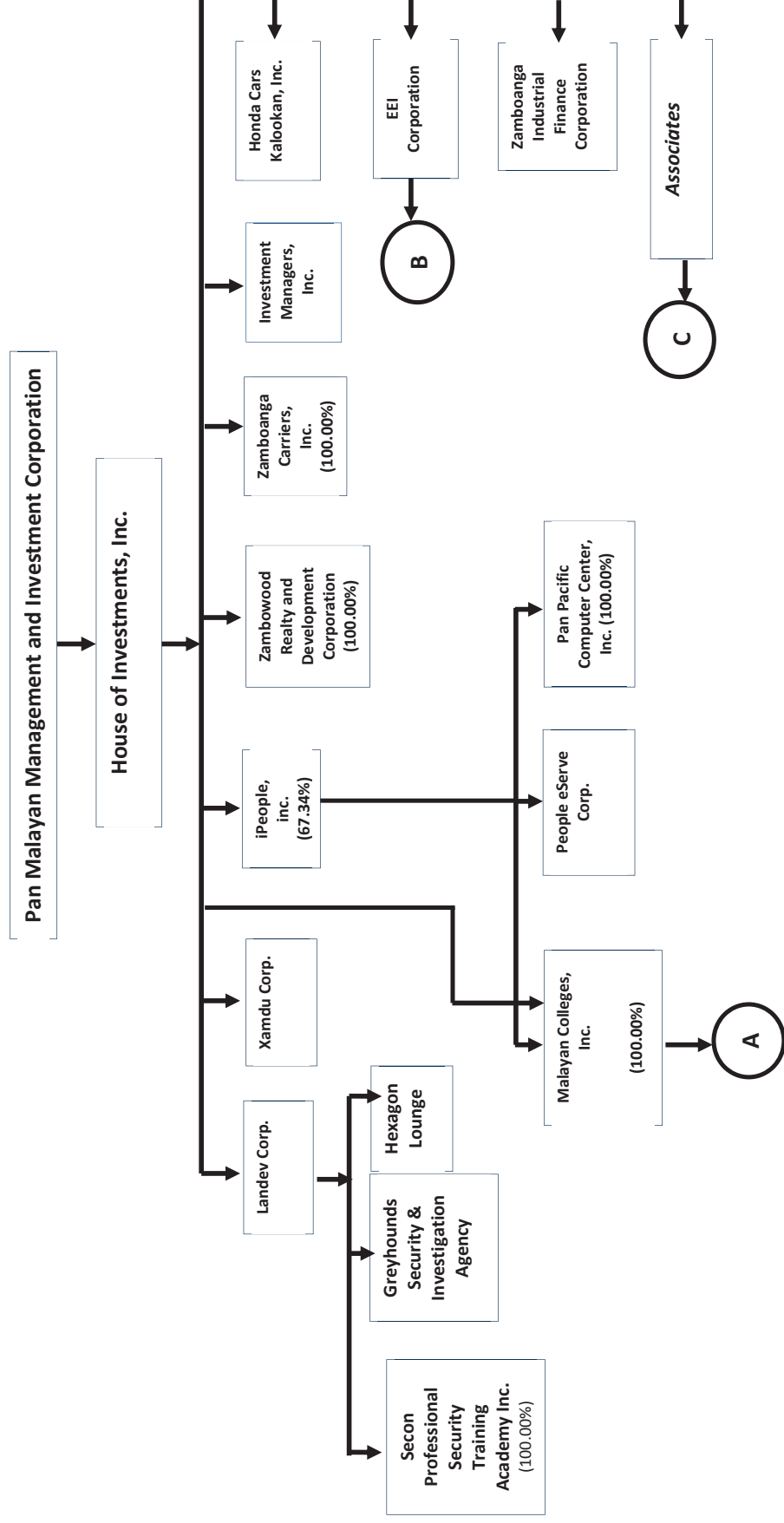
| | |
|--|-----------------------|
| Unappropriated retained earnings, beginning | ₱ 2,292,817,164 |
| Less: Deferred tax asset | – |
| Treasury shares | 2,607,600 |
| Unappropriated retained earnings, as adjusted to amount available for dividend declaration, beginning | 2,290,209,564 |
| Net income during the year closed to retained earnings | 190,373,838 |
| Less movement in deferred tax asset that increased net income | – |
| Net income actually earned during the period | 190,373,838 |
| Dividend declared | 60,452,310 |
| UNAPPROPRIATED RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION, ENDING | ₱2,420,131,092 |

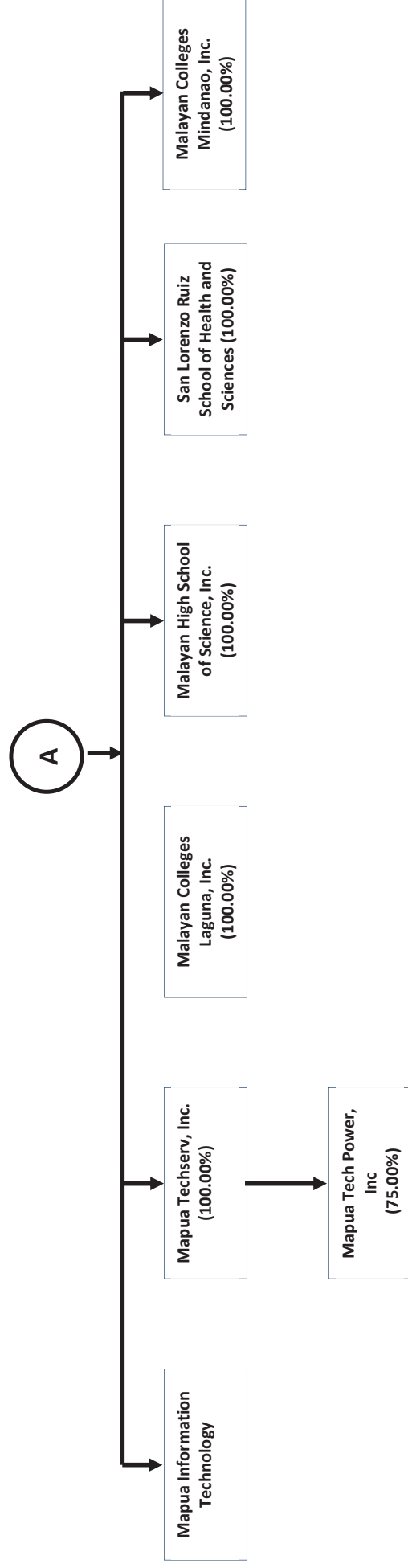
HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES

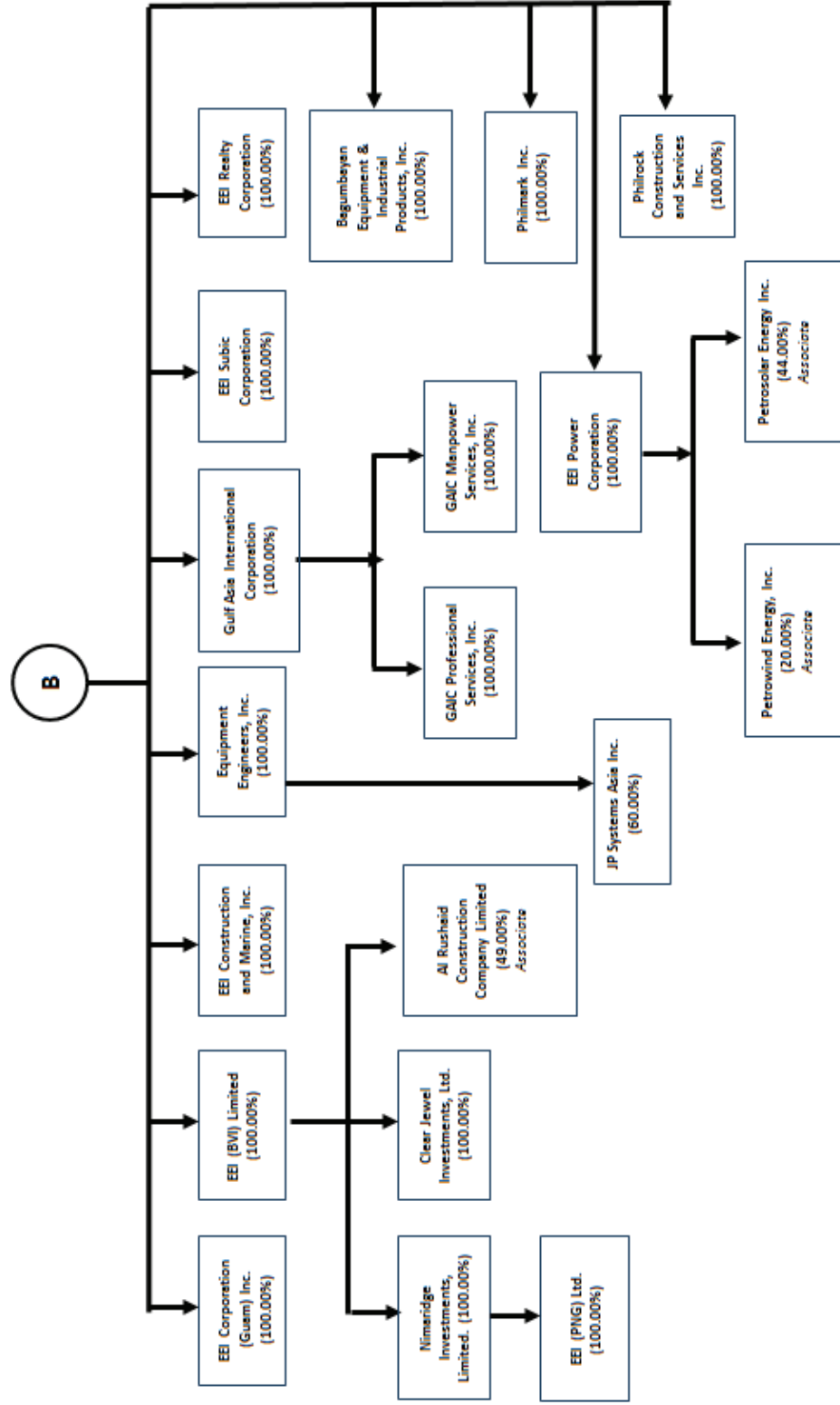
MAP OF RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP

Group Structure

Below is a map showing the relationship between and among the Group and its ultimate parent company, subsidiaries, and associates as of September 30, 2017:







HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES

SCHEDULE OF ALL THE EFFECTIVE STANDARDS AND INTERPRETATIONS UNDER PFRS AS OF SEPTEMBER 30, 2016

Below is the list of all effective PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC) as of September 30, 2017:

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of September 30, 2017 | | Adopted | Not Adopted | Not Applicable |
|---|--|----------------|--------------------|-----------------------|
| Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics | | ✓ | | |
| PFRSs Practice Statement Management Commentary | | | | ✓ |
| Philippine Financial Reporting Standards | | | | |
| PFRS 1 (Revised) | First-time Adoption of Philippine Financial Reporting Standards | ✓ | | |
| | Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate | | | ✓ |
| | Amendments to PFRS 1: Additional Exemptions for First-time Adopters | | | ✓ |
| | Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters | | | ✓ |
| | Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters | | | ✓ |
| | Amendments to PFRS 1: Government Loans | | | ✓ |
| PFRS 2 | Share-based Payment | ✓ | | |
| | Amendments to PFRS 2: Vesting Conditions and Cancellations | | | ✓ |
| | Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions | | | ✓ |
| | Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions | | ✓* | |
| PFRS 3 (Revised) | Business Combinations | ✓ | | |
| PFRS 4 | Insurance Contracts | | | ✓ |
| | Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts | | | ✓ |

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of September 30, 2017 | | Adopted | Not Adopted | Not Applicable |
|---|--|----------------|------------------------|---------------------------|
| | Amendments to PFRS 4: Applying PFRS 9, Financial Instruments with PFRS 4, Insurance Contracts | | ✓* | |
| PFRS 5 | Non-current Assets Held for Sale and Discontinued Operations | ✓ | | |
| PFRS 6 | Exploration for and Evaluation of Mineral Resources | | | ✓ |
| PFRS 7 | Financial Instruments: Disclosures | ✓ | | |
| | Amendments to PFRS 7: Reclassification of Financial Assets | | | ✓ |
| | Amendments to PFRS 7: Reclassification of Financial Assets - Effective Date and Transition | | | ✓ |
| | Amendments to PFRS 7: Improving Disclosures about Financial Instruments | ✓ | | |
| | Amendments to PFRS 7: Disclosures - Transfers of Financial Assets | | | ✓ |
| | Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities | ✓ | | |
| | Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures | | | ✓ |
| | Amendments to PFRS 7: Hedge Accounting | | | ✓ |
| PFRS 8 | Operating Segments | ✓ | | |
| PFRS 9 (final version) | Financial Instruments | | ✓* | |
| PFRS 10 | Consolidated Financial Statements | ✓ | | |
| | Amendments to PFRS 10: Transition Guidance | ✓ | | |
| | Amendments to PFRS 10: Investment Entities | | | ✓ |
| PFRS 10 | Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | | ✓** | |
| | Amendments to PFRS 10: Investment Entities - Applying the Consolidation Exception | ✓ | | |
| PFRS 11 | Joint Arrangements | ✓ | | |

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of September 30, 2017 | | Adopted | Not Adopted | Not Applicable |
|--|---|----------------|------------------------|---------------------------|
| | Amendments to PFRS 11: Transition Guidance | | | ✓ |
| | Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations | | | ✓ |
| PFRS 12 | Disclosure of Interests in Other Entities | ✓ | | |
| | Amendments to PFRS 12: Transition Guidance | | | ✓ |
| | Amendments to PFRS 12: Investment Entities | | | ✓ |
| | Amendments to PFRS 12: Investment Entities - Applying the Consolidation Exception | | | ✓ |
| PFRS 13 | Fair Value Measurement | ✓ | | |
| PFRS 14 | Regulatory Deferral Accounts | | | ✓ |
| PFRS 15 | Revenue from Contracts with Customers | | ✓* | |
| | Amendments to PFRS 15, Clarifications to PFRS 15 | | ✓* | |
| PFRS 16 | Leases | | ✓* | |
| Philippine Accounting Standards | | | | |
| PAS 1 (Revised) | Presentation of Financial Statements | ✓ | | |
| | Amendment to PAS 1: Capital Disclosures | ✓ | | |
| | Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation | ✓ | | |
| | Amendments to PAS 1: Presentation of Items of Other Comprehensive Income | ✓ | | |
| PAS 1 (Revised) | Amendments to PAS 1, Disclosure Initiative | ✓ | | |
| PAS 2 | Inventories | ✓ | | |
| PAS 7 | Statement of Cash Flows | ✓ | | |
| | Amendments to PAS 7: Disclosure Initiative | | ✓* | |
| PAS 8 | Accounting Policies, Changes in Accounting Estimates and Errors | ✓ | | |
| PAS 10 | Events after the Reporting Period | ✓ | | |
| PAS 11 | Construction Contracts | ✓ | | |

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of September 30, 2017 | | Adopted | Not Adopted | Not Applicable |
|--|---|----------------|------------------------|---------------------------|
| PAS 12 | Income Taxes | ✓ | | |
| | Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets | ✓ | | |
| | Amendments to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses | | ✓* | |
| PAS 16 | Property, Plant and Equipment | ✓ | | |
| | Amendments to PAS 16: Clarification of Acceptable Methods of Depreciation and Amortization | | | ✓ |
| | Amendments to PAS 16: Agriculture - Bearer Plants | | | ✓ |
| PAS 17 | Leases | ✓ | | |
| PAS 18 | Revenue | ✓ | | |
| PAS 19 (Revised) | Employee Benefits | ✓ | | |
| | Amendments to PAS 19: Defined Benefit Plans: Employee Contributions | | | ✓ |
| PAS 20 | Accounting for Government Grants and Disclosure of Government Assistance | | | ✓ |
| PAS 21 | The Effects of Changes in Foreign Exchange Rates | ✓ | | |
| | Amendment: Net Investment in a Foreign Operation | | | ✓ |
| PAS 23 (Revised) | Borrowing Costs | ✓ | | |
| PAS 24 (Revised) | Related Party Disclosures | ✓ | | |
| PAS 26 | Accounting and Reporting by Retirement Benefit Plans | | | ✓ |
| PAS 27 (Amended) | Separate Financial Statements | ✓ | | |
| | Amendments to PAS 27: Investment Entities | | | ✓ |
| | Amendments to PAS 27: Equity Method in Separate Financial Statements | | | ✓ |
| PAS 28 (Amended) | Investments in Associates and Joint Ventures | ✓ | | |
| | Amendments to PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | | ✓** | |

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of September 30, 2017 | | Adopted | Not Adopted | Not Applicable |
|--|--|----------------|------------------------|---------------------------|
| | Amendments to PAS 28, Investment Entities: Applying the Consolidation Exception | | | ✓ |
| PAS 29 | Financial Reporting in Hyperinflationary Economies | | | ✓ |
| PAS 32 | Financial Instruments: Presentation | ✓ | | |
| | Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation | | | ✓ |
| | Amendment to PAS 32: Classification of Rights Issues | | | ✓ |
| | Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities | ✓ | | |
| PAS 33 | Earnings per Share | ✓ | | |
| PAS 34 | Interim Financial Reporting | ✓ | | |
| PAS 36 | Impairment of Assets | ✓ | | |
| | Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets | ✓ | | |
| PAS 37 | Provisions, Contingent Liabilities and Contingent Assets | ✓ | | |
| PAS 38 | Intangible Assets | ✓ | | |
| | Amendments to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization | | | ✓ |
| PAS 39 | Financial Instruments: Recognition and Measurement | ✓ | | |
| | Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities | ✓ | | |
| | Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions | | | ✓ |
| | Amendments to PAS 39: The Fair Value Option | | | ✓ |
| | Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts | | | ✓ |
| | Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets | | | ✓ |
| | Amendments to PAS 39 and PFRS 7: | | | ✓ |

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS | | | | |
|---|--|----------------|------------------------|---------------------------|
| Effective as of September 30, 2017 | | Adopted | Not Adopted | Not Applicable |
| | Reclassification of Financial Assets - Effective Date and Transition | | | |
| | Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives | | | ✓ |
| | Amendment to PAS 39: Eligible Hedged Items | | | ✓ |
| | Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting | | | ✓ |
| | Amendments to PAS 39: Hedge Accounting | | | ✓ |
| PAS 40 | Investment Property | ✓ | | |
| | Amendments to PAS 40: Transfers of Investment Property | | ✓* | |
| PAS 41 | Agriculture | | | ✓ |
| | Amendments to PAS 41: Agriculture - Bearer Plants | | | ✓ |
| Annual Improvements to PFRSs | | | | |
| Improvements to PFRSs (2008) | | ✓ | | |
| Improvements to PFRSs (2009) | | ✓ | | |
| Improvements to PFRSs (2010) | | ✓ | | |
| Annual Improvements to PFRSs (2009-2011 Cycle) | | ✓ | | |
| Annual Improvements to PFRSs (2010-2012 Cycle) | | ✓ | | |
| Annual Improvements to PFRSs (2011-2013 Cycle) | | ✓ | | |
| Annual Improvements to PFRSs (2012-2014 Cycle) | | ✓ | | |
| Annual Improvements to PFRSs (2014-2016 Cycle) | | | ✓* | |
| Philippine Interpretations | | | | |
| IFRIC 1 | Changes in Existing Decommissioning, Restoration and Similar Liabilities | | | ✓ |
| IFRIC 2 | Members' Share in Co-operative Entities and Similar Instruments | | | ✓ |
| IFRIC 4 | <i>Determining Whether an Arrangement Contains a Lease</i> | ✓ | | |
| IFRIC 5 | Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds | | | ✓ |
| IFRIC 6 | <i>Liabilities arising from Participating in a</i> | | | ✓ |

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of September 30, 2017 | | Adopted | Not Adopted | Not Applicable |
|--|--|----------------|------------------------|---------------------------|
| | <i>Specific Market - Waste Electrical and Electronic Equipment</i> | | | |
| IFRIC 7 | <i>Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies</i> | | | ✓ |
| IFRIC 9 | Reassessment of Embedded Derivatives | | | ✓ |
| | Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives | | | ✓ |
| IFRIC 10 | <i>Interim Financial Reporting and Impairment</i> | ✓ | | |
| IFRIC 12 | Service Concession Arrangements | | | ✓ |
| IFRIC 13 | Customer Loyalty Programmes | | | ✓ |
| IFRIC 14 | The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction | ✓ | | |
| IFRIC 14 | Amendments to Philippine Interpretations IFRIC-14, Prepayments of a Minimum Funding Requirement | | | ✓ |
| IFRIC 16 | Hedges of a Net Investment in a Foreign Operation | | | ✓ |
| IFRIC 17 | Distributions of Non-cash Assets to Owners | | | ✓ |
| IFRIC 18 | Transfers of Assets from Customers | | | ✓ |
| IFRIC 19 | Extinguishing Financial Liabilities with Equity Instruments | | | ✓ |
| IFRIC 20 | Stripping Costs in the Production Phase of a Surface Mine | | | ✓ |
| IFRIC 21 | Levies | | | ✓ |
| IFRIC 22 | Foreign Currency Transactions and Advance Consideration | | ✓* | |
| SIC-7 | Introduction of the Euro | | | ✓ |
| SIC-10 | Government Assistance - No Specific Relation to Operating Activities | | | ✓ |
| SIC-15 | Operating Leases - Incentives | ✓ | | |
| SIC-25 | Income Taxes - Changes in the Tax Status of an Entity or its Shareholders | | | ✓ |
| SIC-27 | Evaluating the Substance of Transactions Involving the Legal Form of a Lease | | | ✓ |

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of September 30, 2017 | | Adopted | Not Adopted | Not Applicable |
|--|--|----------------|------------------------|---------------------------|
| SIC-29 | Service Concession Arrangements: Disclosures | | | ✓ |
| SIC-31 | Revenue - Barter Transactions Involving Advertising Services | | | ✓ |
| SIC-32 | Intangible Assets - Web Site Costs | | | ✓ |
| PAS 7 | Statement of Cash Flows | ✓ | | |
| | Amendments to PAS 7: Disclosure Initiative | | ✓* | |
| PAS 8 | Accounting Policies, Changes in Accounting Estimates and Errors | ✓ | | |
| PAS 10 | Events after the Reporting Period | ✓ | | |
| PAS 11 | Construction Contracts | | | ✓ |
| PAS 12 | Income Taxes | ✓ | | |
| | Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets | ✓ | | |
| | Amendments to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses | | ✓* | |
| PAS 16 | Property, Plant and Equipment | ✓ | | |
| | Amendments to PAS 16: Clarification of Acceptable Methods of Depreciation and Amortization | | | ✓ |
| | Amendments to PAS 16: Agriculture - Bearer Plants | | | ✓ |
| PAS 17 | Leases | ✓ | | |
| PAS 18 | Revenue | ✓ | | |
| PAS 19 (Revised) | Employee Benefits | ✓ | | |
| | Amendments to PAS 19: Defined Benefit Plans: Employee Contributions | | | ✓ |
| PAS 20 | Accounting for Government Grants and Disclosure of Government Assistance | | | ✓ |
| PAS 21 | The Effects of Changes in Foreign Exchange Rates | ✓ | | |
| | Amendment: Net Investment in a Foreign Operation | | | ✓ |
| PAS 23 (Revised) | Borrowing Costs | | | ✓ |
| PAS 24 (Revised) | Related Party Disclosures | ✓ | | |

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of September 30, 2017 | | Adopted | Not Adopted | Not Applicable |
|--|---|----------------|------------------------|---------------------------|
| PAS 26 | Accounting and Reporting by Retirement Benefit Plans | ✓ | | |
| PAS 27 (Amended) | Separate Financial Statements | ✓ | | |
| | Amendments to PAS 27: Investment Entities | ✓ | | |
| | Amendments to PAS 27: Equity Method in Separate Financial Statements | | ✓ | |
| PAS 28 (Amended) | Investments in Associates and Joint Ventures | ✓ | | |
| PAS 28 (Amended) | Amendments to PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | | ✓** | |
| | Amendments to PAS 28, Investment Entities: Applying the Consolidation Exception | ✓ | | |
| PAS 29 | Financial Reporting in Hyperinflationary Economies | | | ✓ |
| PAS 32 | Financial Instruments: Presentation | ✓ | | |
| | Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation | | | ✓ |
| | Amendment to PAS 32: Classification of Rights Issues | | | ✓ |
| | Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities | ✓ | | |
| PAS 33 | Earnings per Share | ✓ | | |
| PAS 34 | Interim Financial Reporting | ✓ | | |
| PAS 36 | Impairment of Assets | ✓ | | |
| PAS 37 | Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets | ✓ | | |
| | Provisions, Contingent Liabilities and Contingent Assets | ✓ | | |
| PAS 38 | Intangible Assets | ✓ | | |
| | Amendments to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization | | | ✓ |
| PAS 39 | Financial Instruments: Recognition and Measurement | ✓ | | |

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of September 30, 2017 | | Adopted | Not Adopted | Not Applicable |
|--|--|----------------|------------------------|---------------------------|
| PAS 39 | Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities | ✓ | | |
| | Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions | | | ✓ |
| | Amendments to PAS 39: The Fair Value Option | | | ✓ |
| | Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts | | | ✓ |
| | Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets | ✓ | | |
| | Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition | ✓ | | |
| | Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives | | | ✓ |
| | Amendment to PAS 39: Eligible Hedged Items | | | ✓ |
| | Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting | | | ✓ |
| | Amendments to PAS 39: Hedge Accounting | | | ✓ |
| PAS 40 | Investment Property | ✓ | | |
| | Amendments to PAS 40: Transfers of Investment Property | | ✓* | |
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| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of September 30, 2017 | | Adopted | Not Adopted | Not Applicable |
|--|--|----------------|------------------------|---------------------------|
| Annual Improvements to PFRSs (2014-2016 Cycle) | | | ✓* | |
| Philippine Interpretations | | | | |
| IFRIC 1 | Changes in Existing Decommissioning, Restoration and Similar Liabilities | | | ✓ |
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| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of September 30, 2017 | | Adopted | Not Adopted | Not Applicable |
|--|---|----------------|------------------------|---------------------------|
| IFRIC 21 | Levies | | | ✓ |
| IFRIC 22 | Foreign Currency Transactions and Advance Consideration | | ✓* | |
| SIC-7 | Introduction of the Euro | | | ✓ |
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| SIC-15 | Operating Leases - Incentives | | | ✓ |
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| SIC-31 | Revenue - Barter Transactions Involving Advertising Services | | | ✓ |
| SIC-32 | Intangible Assets - Web Site Costs | | | ✓ |

*Not early adopted

**Effectivity was deferred by the Financial Reporting Standards Council

Standards tagged as “Not applicable” have been adopted by the Group but have no significant covered transactions.

Standards tagged as “Not adopted” are standards issued but not yet effective as of September 30, 2017. The Group will adopt the Standards and Interpretations when these become effective.

HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES**AGING OF ACCOUNTS RECEIVABLE****FOR THE QUARTER ENDED SEPTEMBER 30, 2017**

| | TOTAL | No. of days due | | |
|---------------------------------------|-----------------------|------------------------|-----------------------|-----------------------|
| | | 0-30 | 31-60 | Over 61 days |
| Construction | ₱5,368,783,433 | ₱3,377,296,000 | ₱636,361,000 | ₱1,355,126,433 |
| Car Dealership | 1,021,814,755 | 710,570,688 | 160,885,888 | 150,358,179 |
| Education and Information | | | | |
| Technology | 224,569,223 | 54,507,655 | 92,022,804 | 78,038,764 |
| Parent and Others | 2,369,545,300 | 1,394,591,737 | 480,308,080 | 494,645,483 |
| Total | 8,984,712,711 | 5,536,966,080 | 1,369,577,772 | 2,078,168,859 |
| Less: Allowance for doubtful accounts | (202,064,642) | — | — | (202,064,642) |
| | ₱8,782,648,069 | ₱5,536,966,080 | ₱1,369,577,772 | ₱1,876,104,217 |

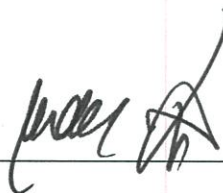
SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereto duly authorized, in the City of Makati on November __, 2017.

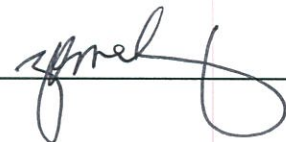
IN WITNESS WHEREOF, we have hereunto affixed our signatures and the seal of the Corporation this 16 NOV 2017 day of November, 2017 at Makati City.

By:

Medel T. Nera
President & CEO




Gema O. Cheng
SVP-Finance & Treasurer



Maria Teresa T. Bautista
Controller




Atty. Samuel V. Torres
Corporate Secretary



SUBSCRIBED AND SWORN to before me this 16 NOV 2017 day of November, 2017, at MAKATI CITY. Affiant exhibited to me their Residence Certificate Numbers indicated below each name.

| Names | Document No. | Date & Place of Issue/Expiration |
|--------------------------|------------------|-------------------------------------|
| Medel T. Nera | DL#N15-82-012443 | 7-3-2015 Manila / 07-05-2018 |
| Gema O. Cheng | DL#N06-84-036923 | 01-13-2015 Mandaluyong / 12-08-2017 |
| Maria Teresa T. Bautista | DL#692094899 | 11-20-2014 Makati / 11-23-2017 |
| Atty. Samuel V. Torres | DL#1383001463 | 1-6-2015 Quezon City / 11-10-2017 |

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Page No. 97;
Book No. 650;
Series of 2017


RUBEN T.M. RAMIREZ
NOTARY PUBLIC
UNTIL DEC. 31, 2017
2734 M. AURORA ST., MAKATI CITY
IBP NO. 1052369 / CY - 2017 APPT. NO. M-23
ROLL NO. 28947 / MCL E-4 NO. 006324, 06-19-12
PTR NO. MKT. 5909552 / 01-03-17