

COVER SHEET

1 5 3 9 3

S.E.C. Registration Number

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

(Company's Full Name)

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

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

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

Atty. Lalaine P. Monserate
Contact Person

815-96-36
Company Telephone Number

1 2 3 1
Month Day
Fiscal Year

SEC FORM 20 - IS
(DEFINITIVE)
FORM TYPE

0 7 2 1
Month Day
Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

391
Total No. Of Stockholders

93.03%
Domestic

6.97%
Foreign

Total Amount of Borrowings

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks= pls. Use black ink for scanning purposes



HI
HOUSE OF INVESTMENTS, INC.
A YGC Member

NOTICE OF ANNUAL STOCKHOLDERS' MEETING

NOTICE IS HEREBY GIVEN that the Annual Stockholders' Meeting of **HOUSE OF INVESTMENTS, INC.** will be held on **Friday, July 20, 2018** at 2:30 P.M. at Rooms 527-528, Yuchengco Institute for Advanced Studies, 5th Floor, Tower II, RCBC Plaza, Ayala Avenue corner Sen. Gil J. Puyat Avenue, Makati City, Philippines.

1. Call to Order
2. Proof of Notice and Certification of a Quorum
3. Approval of the Minutes of the Annual Meeting of the Stockholders held on July 21, 2017
4. Approval of the Management Report and Audited Financial Statements for 2017
5. Ratification and confirmation of the acts, resolutions and proceedings of the Board of Directors, Executive Committee, Other Committees and the Officers of the Company during the year 2017
6. Election of Directors for 2018-2019
7. Appointment of External Auditors
8. Such other business that may properly come before the meeting
9. Adjournment

Only stockholders of record at close of business on **June 20, 2018** shall be entitled to vote at said meeting or any adjournment thereof.

Should you be unable to attend the meeting in person, you may execute the necessary proxy and file the same with the office of the Corporate Secretary at 3/F, Grepalife Bldg., 219 Sen. Gil Puyat Avenue, Makati City, Philippines on or before 10:00 am on July 19, 2018.

For your convenience in registering your attendance, please have available some form of identification such as passport, driver's license or voter's I.D.

Makati City, May 21, 2018.


ATTY. SAMUEL V. TORRES
Corporate Secretary

**MINUTES OF THE ANNUAL STOCKHOLDERS' MEETING
OF
HOUSE OF INVESTMENTS, INC.**

Date : 21 July 2017
Time : 2:30 P.M.
Place : Rooms 527-528 YIAS, 5/F Tower II
RCBC Plaza, 6819 Ayala Avenue
Makati City, Metro Manila

I. CALL TO ORDER.

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

As proof, Atty. Torres presented the Certification executed by Mr. Cal Joseph R. Cano, Executive Assistant of Varied Services, Incorporated, certifying to the sending out of notices of the meeting, and an Affidavit of Publication from the PhilSTAR Daily, Inc., attesting to the publication of the notice in the Philippine Star on 21 June 2017.

II. DETERMINATION OF QUORUM.

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

	<u>No. of Common/Preferred Shares</u>
Stockholders Present in Person or By Proxy	454,703,386 (Common) 630,733,289 (Preferred)
Total	----- 1,085,436,675 Shares
Outstanding No. of Shares Entitled to Vote	615,996,114 (Common) 684,456,876 (Preferred)
Total	----- 1,300,452,990 Shares
Percentage of Attendance	83.46%

which was a majority of the outstanding number of shares entitled to vote. Whereupon, the Corporate Secretary certified the presence of a legal quorum, and the Chairman declared the agenda open for deliberation.

Atty. Torres

DIRECTORS PRESENT

1. Ms. Helen Y. Dee – Chairman
Chairman, Executive Committee
2. Mr. Medel T. Nera
3. Ms. Yvonne S. Yuchengco
4. Dr. Reynaldo B. Vea
5. Atty. Wilfrido E. Sanchez – Chairman, Compensation Committee
Chairman, Risk Management Committee
Chairman, Good Governance Committee
6. Dr. Roberto F. de Ocampo – Independent Director;
Chairman, Audit Committee
7. Mr. Juan B. Santos – Independent Director;
Chairman, Nomination Committee
8. Mr. Ermilando D. Napa
9. Mr. John Mark S. Frondoso

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

The Minutes of the last Annual Stockholders' Meeting held on 15 July 2016 were presented to the stockholders for approval. On motion duly made and seconded, the reading of the said Minutes was dispensed with and there being no objection or correction to the same, the Minutes were approved to be correct.

IV. APPROVAL OF THE 2016 MANAGEMENT REPORT AND THE AUDITED FINANCIAL STATEMENTS.

The President and CEO, Mr. Medel T. Nera, reported on the various actions, performance and results of the operation of the Company, including that of its subsidiaries, for the one (1) year period ended 31 December 2016. He commenced his President's Report with updates on the Company's consolidated revenues and stock price. He then proceeded to particularly report on the Company's core business focus in the construction industry (EEI Corporation); education sector [through shareholdings in iPeople, Inc. and relative to the Mapua School System, which is composed of Malayan Colleges, Inc. (Operating Under the Name of Mapua Institute of Technology), Malayan High School of Science, Inc., Malayan Colleges Laguna, Inc., and Malayan Colleges Mindanao (A Mapua School) Inc.]; car dealership business (Honda and Isuzu), and project and property management (through its subsidiary Landev Corporation and minority ownership in RCBC Realty Corp.).

ATTN

Mr. Nera also mentioned the Company's other businesses in the fields of energy (Petroenergy Resources Corporation), pharmaceuticals (HI-Eisai Pharmaceutical, Inc.), afterlife services (Manila Memorial Park Cemetery, Inc. and La Funeraria Paz-Sucat, Inc.), and consumer finance (Zamboanga Industrial Finance Corporation).

After Mr. Nera concluded his President's Report, the Chairman informed the stockholders that the Board of Directors had earlier approved the declaration of a cash dividend of Php0.065 per common share and Php0.01733 per preferred share, for a total amount of Fifty One Million Nine Hundred One Thousand Three Hundred Eighty Five Pesos and Seven Centavos (Php51,901,385.07), from the company's unrestricted retained earnings as of 31 December 2016 to the Company's stockholders of record as of 18 August 2017. The payment date is on 12 September 2017.

The Chairman proceeded to note that the Company's Management Report and the Audited Financial Statements for the year ending 31 December 2016 were sent earlier to the stockholders by mail. She then inquired from the stockholders if there were any questions respecting the same. There being no queries or objections, the Company's Management Report and Audited Financial Statements, as certified by Wenda Lynn M. Loyola of SGV & Co., were approved by the stockholders present, upon motion made and duly seconded.

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

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

"RESOLVED, that all acts, resolutions and proceedings of the Board of Directors, various Committees and Officers of the Company during the preceding year be, as they are hereby affirmed and ratified."

VIII. ELECTION OF DIRECTORS FOR 2017-2018.

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

The Corporate Secretary presented the names of the nominees who have accepted their respective nominations, further stating that the Nomination Committee has pre-screened and evaluated their qualifications and have found them to have all the qualifications and none of the disqualifications of a director.



The following stockholders were thereafter elected:

Regular Directors:

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

Independent Directors:

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

IX. APPOINTMENT OF EXTERNAL AUDITOR.

As recommended by the Audit Committee, on motion duly made and seconded Sycip Gorres Velayo & Co. was re-appointed as the external auditor of the Company for the fiscal year ending 31 December 2017 under the following resolution:

“RESOLVED, that Sycip Gorres Velayo & Co. be re-appointed as the external auditor of the Company for the fiscal year ending 31 December 2017.”

X. OTHER MATTERS.

The Chairman inquired if there were any other matters, which the stockholders would like to take up. At this juncture, a stockholder, Mr. Emil Dela Cruz, requested to be recognized. He then made a comment that considering the commendable legacy left behind by the Company's founder, Ambassador T. Yuchengco, the Company might want to reflect his name in the corporate name. Mr. Dela Cruz then suggested to change the corporate name to YGC Holdings, Inc. and for the stock symbol of the company to be changed to “YGC”. The Chairman thanked Mr. Dela Cruz for his suggestion and said that the same will be taken into consideration.

CMT/bs

XI. ADJOURNMENT.

There being no further business to discuss, the meeting was adjourned at 3:35 p.m. on motion duly made and seconded.


SAMUEL V. TORRES
Corporate Secretary

ATTESTED BY:


HELEN Y. DEE
Chairman

HOUSE OF INVESTMENTS, INC.

PROXY

I, the undersigned holder of shares of stock of House of Investments, Inc. ("Corporation"), do hereby constitute, name and appoint the **Chairman of the Meeting**, or in his absence, the **Secretary of the Meeting**, as my attorney and proxy, to represent me and to vote all the shares registered under my name in the Books of the Corporation at the Annual Meeting of the Stockholders of the Corporation on **July 20, 2018** and any adjournment(s) thereof. In particular, I hereby direct my said proxy to vote on the matters set forth below as I have expressly indicated by marking the same with an "X". **If I fail to indicate my vote on the items specified below, I authorize my proxy full discretion to act and I understand that my proxy shall vote in accordance with the recommendation of the Management. Management recommends a "FOR ALL" vote for proposal 1 and a "FOR" for proposals 2 through 5.**

PROPOSAL	ACTION		
	FOR ALL	WITHHOLD FOR ALL	EXCEPTION
<p>1. Election of Management's Nominees as Directors</p> <p>Management Nominees:</p> <p>1. Helen Y. Dee 2. Medel T. Nera 3. Yvonne S. Yuchengco 4. Wilfrido E. Sanchez 5. Reynaldo B. Vea 6. Lorenzo V. Tan</p> <p>Independent Directors:</p> <p>1. Roberto F. De Ocampo 2. John Mark S. Frondoso 3. Francisco H. Licuanan III 4. Ermilando D. Napa 5. Juan B. Santos</p> <p><i>The above-mentioned nominees are all incumbent members of the Board of Directors.</i></p> <p>INSTRUCTIONS: <i>To withhold authority to vote for any individual nominee(s) of Management, please mark Exception box and list name(s) under.</i></p>			
	FOR	AGAINST	ABSTAIN
2. Approval of the Minutes of the Annual Stockholders' Meeting held on July 21, 2017.			
3. Approval of the Management Report and Audited Financial Statements for 2017.			
4. Ratification and confirmation of the acts, resolutions and proceedings of the Board of Directors, Executive Committee and the Officers of the Company during the year 2017, which includes, among others, those that involve the day to day operations, administrations and management of the corporate affairs such as: a) opening/closing of bank accounts and delegation of bank signatories; b) approval of loans; c) redemption of preferred shares; d) declaration of cash dividends; e) appointment/promotion of officers; and f) ratification of the non-binding term sheet for the merger of iPeople,inc. with AC Education, Inc.			
5. Appointment of SGV as External Auditors			

THIS PROXY, SOLICITED ON BEHALF OF THE INCUMBENT BOARD OF DIRECTORS OF HOUSE OF INVESTMENTS, INC. SHOULD BE RECEIVED BY THE CORPORATE SECRETARY ON OR BEFORE 10:00 A.M OF JULY 19, 2018, THE DEADLINE FOR SUBMISSION OF PROXIES.

REVOCABILITY OF PROXY

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

PERSONS MAKING THE SOLICITATION

THIS PROXY IS SOLICITED ON BEHALF OF THE MANAGEMENT. THE PROXY STATEMENT AND THE ENCLOSED PROXY SHALL BE SENT BY THE SECRETARY OF THE CORPORATION EITHER BY MAIL, POSTAGE PREPAID, OR BY PERSONAL DELIVERY TO EACH STOCKHOLDER AT HIS ADDRESS APPEARING IN THE RECORDS OF THE CORPORATION. DULY EXECUTED PROXIES MAY BE RETURNED BY MAIL, FAX, OR BY HAND TO THE OFFICE OF THE CORPORATE SECRETARY ON OR BEFORE 10:00 A.M. ON JULY 20, 2018.

SOLICITATIONS OF PROXIES WILL BE MAINLY CONDUCTED THROUGH MAIL. IN ADDITION TO SOLICITATION OF THE PROXIES BY MAIL, OFFICERS AND EMPLOYEES OF THE COMPANY MAY ALSO SOLICIT PROXIES PERSONALLY OR BY TELEPHONE. THE COST OF SOLICITATION, APPROXIMATELY ₱ 110,000 WILL BE BORNE BY THE COMPANY.

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

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

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

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

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

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

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

Printed Name	Signature of Stockholder	No. of Shares	Date
Address and Telephone Number			

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

Please mail this proxy form to :

ATTY. SAMUEL V. TORRES
CORPORATE SECRETARY
House of Investments, Inc.
3/F Grepalife Bldg.
219 Sen. Gil Puyat Avenue
Makati City Metro Manila

OR FAX TO : 816-11-27 / 815-99-81

PART 1
INFORMATION REQUIRED IN INFORMATION STATEMENT

A. GENERAL INFORMATION

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

Date of meeting : July 20, 2018
Time of meeting : 2:30 pm
Place of meeting : Rooms 527-528 Yuchengco Institute for Advanced Studies
5th Floor, Tower II, RCBC Plaza
Ayala Avenue corner Sen. Gil J. Puyat Avenue
Makati City, Philippines
Approximate mailing date of this statement : June 29, 2018
Registrant's mailing address : 3/F, Grepalife Building
219 Sen. Gil J. Puyat Avenue
Makati City, Metro Manila, Philippines

Item 2: Dissenters' Right of Appraisal

Pursuant to Section 81 of the Corporation Code of the Philippines, any stockholder of the Corporation shall have the right to dissent and demand payment of the fair value of his shares on any matter that may be acted upon such as in the following instances.

1. In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence.
2. In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets; and
3. In case of merger or consolidation.

There are no matters in the Agenda that may give rise to a possible exercise of appraisal right by any stockholder.

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

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

B. CONTROL AND COMPENSATION INFORMATION

Item 4: Voting Securities and Principal Holders Thereof

(a) Class of Voting shares as of April 30, 2018:

Common Stocks	615,996,114 shares
Preferred Stocks	634,395,272 shares

Both common and preferred shares of the Company's capital stock are entitled to notice and to vote at the Annual Stockholders' Meeting. Each share is entitled to one (1) vote.

(b) Record Date: June 20, 2018

Only stockholders of record at the close of business on **June 20, 2018** are entitled to vote at the meeting either in person or by proxy.

(c) Election of Directors and Cumulative Voting Rights

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

In case of election of Directors, each stockholder may vote the number of shares of stock standing in his own name as of the record date of the meeting for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit; Provided, that the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the books of the Corporation multiplied by the whole number of directors to be elected.

Security Ownership of Certain Beneficial Owners and Management

As of April 30, 2018, HI knows of no one who beneficially owns in excess of 5% of HI's common and preferred stock except as set forth in the tables below:

1. Owners of more than 5% of voting securities as of April 30, 2018.

The following table shows the beneficial owners directly or indirectly owning more than 5% of the Company's capital stock as of April 30, 2018:

Common Stock

SHARE CLASS	NAME AND ADDRESS OF RECORD OWNER	NAME OF BENEFICIAL OWNER & RELATIONSHIP WITH RECORD OWNER	CITIZENSHIP	NUMBER OF SHARES BENEFICIALLY OWNED	% OF TOTAL
Common	PAN MALAYAN MANAGEMENT & INVESTMENT CORP. (PMMIC) 48/F, Yuchengco Tower, RCBC Plaza, 6819 Ayala Ave., Makati City <i>Principal Stockholder</i>	A holding and management company of the Yuchengco family. Ms. Helen Y. Dee is authorized to direct voting of the shares held by PMMIC.	Filipino	294,759,575	47.85%
Common	PCD NOMINEE CORP. ¹ G/F MSE Bldg., 6767 Ayala Ave., Makati City	PCD Nominee Corp. is the registered owner is a wholly owned subsidiary of the Philippine Central Depository, Inc. The beneficial owners of the shares are the PCD Participants, who hold the shares on the on behalf or on behalf of their clients	Filipino Non-Filipino	231,836,891 41,695,636	37.62% 6.77%

¹ The Company has no record of beneficial owners of shares lodged with PCD. Only RCBC Securities, Inc. and BPI Securities Corp. have shares registered under their names under PCD Nominee Corp. that are equivalent to more than 5% of the voting securities of the Company.

SHARE CLASS	NAME AND ADDRESS OF RECORD OWNER	NAME OF BENEFICIAL OWNER & RELATIONSHIP WITH RECORD OWNER	CITIZENSHIP	NUMBER OF SHARES BENEFICIALLY OWNED	% OF TOTAL
Common	RCBC SECURITIES, INC. 7/F Yuchengco Tower, RCBC Plaza, 6819 Ayala Ave., Makati City	A stockbrokerage unit of Rizal Commercial Banking Corp. (RCBC), a member of the Yuchengco Group of Companies (YGC). Mr. Raul Ruiz VP - Research is authorized to direct voting of the shares held by RCBC Securities, Inc.	Filipino	89,272,605	14.49%
Common	BPI SECURITIES CORP. 8/F BPI Head Office Bldg., Ayala Ave., cor. Paseo de Roxas Makati City	A stockbrokerage unit of the Bank of the Philippine Is. (BPI). Mr. Claro P. Bonilla Nominee is authorized to direct voting of the shares held by BPI Securities Corp.	Filipino	46,127,147	7.49%

Preferred Stock

SHARE CLASS	NAME AND ADDRESS OF RECORD OWNER	NAME OF BENEFICIAL OWNER & RELATIONSHIP WITH RECORD OWNER	CITIZENSHIP	NUMBER OF SHARES BENEFICIALLY OWNED	% OF TOTAL
Preferred	YUCHENGCOS, ALFONSO T. 48/F, Yuchengco Tower, RCBC Plaza, 6819 Ayala Ave., Makati City Principal Stockholder	Pending settlement of estate proceedings. Ms. Helen Y. Dee is authorized to direct voting of the shares held by PMMIC.	Filipino	346,627,046	54.64%
Preferred	PAN MALAYAN MANAGEMENT & INVESTMENT CORP. (PMMIC) 48/F, Yuchengco Tower, RCBC Plaza, 6819 Ayala Ave., Makati City	A holding and management company of the Yuchengco family. Ms. Helen Y. Dee is authorized to direct voting of the shares held by PMMIC.	Filipino	237,974,016	37.51%

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

2. Security Ownership of Management

Securities beneficially owned by the directors, nominees, officers, other than qualifying shares, as of April 30, 2018 according to the records of its stock and transfer agent, Rizal Commercial Banking Corp. (RCBC):

Common Stock

NAME OF BENEFICIAL OWNER	CITIZENSHIP	NATURE OF OWNERSHIP	SHARES OWNED	% OF CLASS
Helen Y. Dee	Filipino	Direct	1,125,345	0.1827%
		Indirect	724,280	0.1176%
Medel T. Nera	Filipino	Direct	5	0.0000%
Yvonne S Yuchengco	Filipino	Direct	90,255	0.0147%
Atty. Wilfrido E. Sanchez	Filipino	Direct	5	0.0000%
Dr. Reynaldo B. Veja	Filipino	Direct	10	0.0000%

NAME OF BENEFICIAL OWNER	CITIZENSHIP	NATURE OF OWNERSHIP	SHARES OWNED	% OF CLASS
John Mark S. Frondoso	Filipino	Direct	5	0.0000%
Francisco H. Licuanan III	Filipino	Direct	500	0.0001%
Ermilando D. Napa	Filipino	Direct	5	0.0000%
Roberto F. de Ocampo	Filipino	Direct	5	0.0000%
Juan B. Santos	Filipino	Direct	5	0.0000%
Lorenzo V. Tan	Filipino	Direct	5	0.0000%
Sub-Total			1,940,425	0.3150%
Total Common Shares			615,996,114	100%

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

Changes in Control

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

Voting Trust Holders of 5% And More

There are no shareholdings holding any Voting Trust Agreement or any such similar agreement.

Ownership of Foreigners Per Class

As of April 30, 2018, there are 42,957,591 shares or 6.97% of the common stock that are held by foreigners. There is no foreign ownership in the preferred stock.

Item 5: Directors and Executive Officers

Board of Directors & Executive Officers

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

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

DIRECTORS				
Name	Age	Citizenship	Position	Period During Which Individual Has Served
Helen Y. Dee	72	Filipino	Chairperson	2001 to present
Medel T. Nera	61	Filipino	Director, President & CEO	2011 to present
Wilfrido E. Sanchez	79	Filipino	Director	2000 to 2008 2009 to present
Reynaldo B. Vea	62	Filipino	Director	2011 to present
Yvonne S. Yuchengco	62	Filipino	Director	2007 to present
Lorenzo V. Tan	56	Filipino	Director	July 2017 to present

INDEPENDENT DIRECTORS				
Name	Age	Citizenship	Position	Period During Which Individual Has Served
Roberto F. De Ocampo	70	Filipino	Independent Director	2000 to present
John Mark S. Frondoso	43	Filipino	Independent Director	2016 to present
Ermilando D. Napa	67	Filipino	Independent Director	2016 to present
Francisco H. Licuanan, III	72	Filipino	Independent Director	2006 to present
Juan B. Santos	76	Filipino	Independent Director	2014 to present

EXECUTIVE OFFICERS				
Name	Age	Citizenship	Position	Period During Which Individual Has Served
Ms. Helen Y. Dee	72	Filipino	Chairperson	2001 to present
Mr. Medel T. Nera	62	Filipino	President & CEO	2011 to present
Ms. Gema O. Cheng	53	Filipino	EVP, COO, CFO & Treasurer	2016 to present
Mr. Porfirio S. De Guzman, Jr.	79	Filipino	SVP, Internal Audit	1993 to present
Mr. Alexander Anthony G. Galang	57	Filipino	SVP, Internal Audit	2009 to present 2004 to 2009 (VP)
Mr. Joselito D. Estrella	53	Filipino	SVP, Chief Information Officer	Dec 2016 to present
Ms. Ma. Esperanza F. Joven	47	Filipino	VP, Finance	2014 to present
Ms. Ma. Elisa E. Delara	48	Filipino	VP, Internal Audit	2013 to present 2001 to 2013 (AVP)
Ms. Maria Teresa T. Bautista	45	Filipino	VP, Controller	July 2017 to present 2011 to June 2017 (AVP)
Mr. Jose A. Tanjangco, III	56	Filipino	AVP, Chief Risk Officer	2010 to present
Ms. Sonia P. Villegas	49	Filipino	AVP, Human Resources Head	2013 to present
Atty. Lalaine P. Monserate	53	Filipino	AVP, Legal and Compliance Officer	2016 to present
Atty. Samuel V. Torres	53	Filipino	Corporate Secretary	2006 to present
Atty. Ma. Elvira Bernadette G. Gonzalez	41	Filipino	Asst. Corporate Secretary	2014 to present

There are executives seconded to the subsidiaries.

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

Position and Background within the Last 5 Years

HELEN Y. DEE, 73 years old, Filipino, has been **Chairperson of the Board** since 2001 to present. She was also **President and CEO** of the company from 2001-2011. She is the **Chairperson** of EEI Corporation, PetroEnergy Resources Corporation, Rizal Commercial Banking Corporation, all of which are PSE-listed companies. She is the **Chairperson, Vice Chairperson** or a **director** of several companies engaged in banking, insurance, and real property businesses. **Educational Background:** Ms. Dee received her **Master's Degree in Business Administration** from De La Salle University.

MEDEL T. NERA, 62, Filipino, is a **Director** and the **President & CEO** from 2011 to present. He is also the **Chairman of the Board** of Greyhounds Security & Investigation Agency Corporation, and Zamboanga Industrial Finance Corporation (ZIFC); **Director and President** of Honda Cars Kalookan, Inc. and RCBC Realty Corporation; **Director** of EEI Corporation, EEI Realty Corporation, iPeople, inc., HI-Eisai Pharmaceuticals, Inc., Investment Managers, Inc., Landev Corporation, Malayan Colleges Laguna, Inc. Manila Memorial Cemetery Park, Inc., YGC Corporate Services, Inc. and Seafront Resources Corporation; **Independent Director** of National Reinsurance Corporation of the Philippines; **His past experiences include:** **Director** of Rizal Commercial Banking Corporation; **Director and Treasurer** of CRIBS Foundation, Inc., and **Partner** at Sycip Gorres Velayo & Co. **Educational Background:** Master in Business Administration from Stern School of Business, New York University, USA and Bachelor of Science in Commerce from Far Eastern University, Philippines, International Management Program from Manchester Business School, UK, Pacific Rim Program from University of Washington, USA.

ATTY. WILFRIDO E. SANCHEZ, 81, Filipino, is a **Director** from 2000 to present. He is also a **Director** in Adventure International Tours, Inc., Amon Trading Corporation, Asia Brewery, Inc., Center for Leadership & Change, Inc., EEI Corporation, EMCOR, Inc., Eton Properties Philippines, Inc., J-DEL Investments and Management Corporation, JRV Foundation, Inc., K-Servico, Inc., Kawasaki Motor Corporation, LT Group, Inc., Rizal Commercial Banking Corporation, Magellan Capital Holdings, Corporation, PETNET, Inc., Tanduay Distillers, Inc., Transnational Diversified Corporation, Transnational Financial Services, Inc., Transnational Plans, Inc. and Universal Robina Corporation; **Tax Counsel** of Quiazon Makalintal Barot Torres Ibarra Sison and Damaso Law Firm; and **Trustees** of Asian Institute of Management (AIM). *His Past experiences include:* **Chairman, Taxes & Tariff of the Philippine Committee** of American Chamber of Commerce; **Co-Chairman, Tax Committee** of Philippine Chamber of Commerce; **Managing Director & Head, Tax Division** of Sycip Gores Velayo & Co.; **Vice Chairman** of Center for Leadership and Change, Inc.; **Vice President** of JVR Foundation, Inc.; **Director** of NYK-TDG Maritime Academy, Wodel, Inc., Grepalife Asset Management Corporation, Grepalife Fixed Income Fund Corporation, Omico Corporation, APEX (Phils.) Equities Corporation, Grepalife Bond Fund Corporation, Jubilee Shipping Corporation, PET Plans, Inc., Philippine Pacific Ocean Lines, Inc., and Wodel Manpower Services, Inc. *Educational Background:* Masters of Law from Yale Law School, USA; Bachelor of Laws and Bachelor of Arts from Ateneo de Manila University, Philippines.

REYNALDO B. VEA, PhD, 66, Filipino, is a **Director** from 2010 to present. He is also the **President & CEO** of Malayan Education System, Inc. operating under the name Mapúa University; **Director and President** of iPeople, inc., Malayan Colleges Laguna, Inc., Malayan Colleges Mindanao (A Mapúa School), Inc., Malayan High School of Science, Inc., Mapúa Techserv; **Trustee** of AY Foundation, Yuchengco Center of De La Salle University, and Yuchengco Museum, **Director** of Maibarara Geothermal, Inc., and Petrogreen, Inc. ; **Chairman** of the Engineering Science and Technology Division of the National Academy of Science and Technology and the Philippine Science High School Foundation, Inc. *His past experiences include:* **Director** of Grepalife Dollar Bond Fund, Grepalife Fixed Income Fund, National Research Council of the Philippines, PetroWind, Inc., Rizal Commercial Banking Corporation.; **Member** of Philippine Fulbright Commission and UNESCO National Commission, **Trustee** of Philippine Association Colleges and University; **Chairman** of Committee on Science and Technology in UNESCO National Commission; **Dean** of UP College of Engineering. *Educational Background:* Ph.D. in Engineering from University of California, Berkley, USA; Master in Naval Architecture and Marine Engineering from Massachusetts Institute of Technology, USA; and Bachelor of Science in Mechanical Engineering (magna cum laude) from University of the Philippines.

YVONNE S. YUCHENGO, 64, Filipino, is a **Director** from 1999-2006, 2008 to present. She is also the **Chairperson** of First Nationwide Assurance Corporation, and RCBC Capital Corporation; **Chairperson and President** of Royal Commons, Inc., Y Tower II Office Condominium Corporation and Yuchengco Tower Office Condominium Corporation; **Chairperson and Trustee** of The Malayan Plaza Condominium Owners Association Inc.; **Director, Chairman, President** of Philippine Integrated Advertising Agency, Inc.; **Director and Chairman** of Y Realty Corporation, and Yuchengco Museum, Inc.; **Director and President** of Alto Pacific Corporation Malayan Insurance Co., Inc., MICO Equities, Inc., RCBC Land, Inc.; **Director** of Annabelle Y. Holdings and Management Corporation, Asia-Pac Reinsurance Co., Ltd., A.T. Yuchengco, Inc., AY Holdings, Inc., DS Realty, Inc., Enrique T. Yuchengco, Inc., First Nationwide Assurance Corporation, GPL Holdings, Inc., HYDee Management & Resource Corporation, iPeople, inc., La Funenaria Paz Sucat, Inc., Luisita Industrial Park Corporation, Malayan Education Systems, Inc. operating under the name of Mapua University, Malayan Colleges Laguna, Inc., Malayan Colleges Mindanao, Inc., Malayan Insurance Co. (H.K.) Ltd., Malayan International Insurance Corporation, Manila Memorial Park Cemetery, Inc., National Reinsurance Corporation of the Phils., Pan Malayan Realty Corporation, Pan Malayan Express, Inc., RCBC Capital Corporation, Seafont Resources Corporation, Shayamala Corporation, YGC Corporate Services, Inc., and Yuchengco Center, Inc.; **Director and Vice President** of A.Y. Holdings, Inc.; **Director, Vice President and Treasurer** of Pan Managers, Inc.; **Director and Corporate Secretary** of MPC Investment Corporation, **Director and Treasurer** of Honda Cars Kalookan, Inc., Malayan High School of Science, Inc., Mona Lisa Development Corporation, Petro Energy Resources Corporation, Water Dragon, Inc., and XZY Assets Corporation; **Director, Treasurer and CFO** of Pan Malayan Management & Investment Corporation; **Trustee** of AY Foundation, Inc., Malayan Education System, Inc. (Operating under the name of Mapúa University), and Phil-Asia Assistance Foundation, Inc.; **Member, Advisory Board** of Rizal Commercial Banking

Corporation *Educational Background:* Bachelor of Arts in Interdisciplinary Studies from Ateneo De Manila University, Philippines.

ROBERTO F. DE OCAMPO, 72, Filipino, is an **Independent Director** from 2000 to present. He is also the **Chairman** of the British Alumni Association and Philippine Veterans Bank. **Chairman and/or Board member** of ABS-CBN Broadcasting Corporation, AES Corporation (Philippines), Alaska Milk Corporation, Centennial Asia Advisors Pte. Ltd. (Singapore), Centennial Group (Washington, D.C.), EEI Corporation, Investment & Capital Corporation of the Philippines (ICCP) Group of Companies, Meralco, Globe Telecom Inc., Metrobank, Philam Asset Management Inc., Philippine Airlines, Phinma Corporation, Rizal Commercial Banking Corporation, Robinson's Land Corporation, Seaboard Eastern Insurance Co., United Overseas Bank; **Chairman of the Board of Advisers** of the RFO Center for Public Finance & Regional Economic Cooperation, which is an ADB Regional Knowledge Hub; **Co-Vice Chairman** of the Makati Business Club; **Founding Partner** of a Global Advisory Group (Centennial Group), Washington, D.C.; **Founding Director** of Global Economic Forum: The Emerging Markets Forum; **Emeritus Member** of the Financial Executives of the Philippines (FINEX). *His past experiences:* **Chairman and CEO** of Development Bank of the Philippines; **President** of Asian Institute of Management and Management Association of the Philippines (MAP); **Member** of the AIM Board of Trustees; **Board of Advisers** of the Conference Board, New York. *Educational Background:* Doctorate of Humane Letters (Honoris Causa) from San Beda College, Philippines; Doctorate in Philosophy in Business Administration (Honoris Causa) from De La Salle University, Philippines; Doctorate in Laws (Honoris Causa) from Philippine Women's University, Philippines; Doctorate in Public Administration (Honoris Causa) from University of Angeles City, Philippines; Fellow in Development Administration (DDA) from London School of Economics, UK; Master in Business Administration from University of Michigan, USA; and Bachelor of Arts Major in Economics from Ateneo De Manila University, Philippines.

JOHN MARK S. FRONDOSO, 43, Filipino, was elected as an **Independent Director** in December, 2016. He is also the **President** of Star Two Holdings, Inc.; **Trustee and Chairman of the Investment Committee** of the Philippine Public School Teachers Association; **Director** of HC Consumer Finance Philippines, Inc. (Home Credit); **Chairman & President** of FSG Capital, Inc. *His Past experiences include:* **Philippine Chief Representative & Executive Director** of Morgan Stanley (Singapore) Holdings Pte Ltd. Investment Banking, Manila; **Associate Director** of Barclays Capital (Investment Banking Division of Barclays Bank PLC). *Educational Background:* Bachelor of Science in Industrial Management (University Honors) from Carnegie Mellon University, USA.

FRANCISCO H. LICUANAN III, 74, Filipino, is an **Independent Director** since 2006 to present. He is also **Chairman & CEO** of Battery Park Investment, Inc., Geo EState Development Corporation and New Pacific Resources Management Inc.; **President & CEO** of Innovative Property Solutions, Inc.; **President** of Stonebridge Corporation *Educational Background:* Master of Business Administration from Harvard Business School, USA; Bachelor of Arts in Economics (cum laude) from Ateneo De Manila University, Philippines.

ERMILANDO D. NAPA, 68, Filipino, was elected as an **Independent Director** in 2016. He is also the **Chairman & CEO** of Manila Consulting & Management Co., Inc.; **Chairman** of E & F Holdings, Inc., Catanauan Resources & Development Corporation; **Director** of Trade and Investment Development Corporation (Philexim); **Chairman of the Audit Committee** of National Reinsurance Corporation of the Philippines; and **Chairman of the Interim Governance Board** of National Life Insurance Co. of the Philippines; **Member** of Philippine Institute of Certified Public Accountants and Rotary Club of Makati Legaspi. *His past experiences include:* **Conservator** of National Life Insurance Co.; **Partner** in SyCip Gorres Velayo & Co.; **Principal & Manager** of Kassim Chan & Co.; **President** of Rotary Club of Makati Legaspi. *Educational Background:* Master in Management from Asian Institute of Management, Philippines and Bachelor of Science in Business Administration from Aquinas, Philippines.

JUAN B. SANTOS, 79, Filipino, was elected as an **Independent Director** in 2014. He is also a **Director** of Allamanda Management Corporation, Alaska Milk Corporation, East-West Seed ROH Limited (Bangkok, Thailand), Golden Spring Group (Singapore), Philippine Investment Management, Rizal Commercial Banking Corporation, Sunlife Grepa Financial, Inc.; **Chairman, Board of Trustee** of Dualtech Training Center Foundation, Inc.; **Trustee** of St. Luke's Medical Center; **Member of the Board of Advisors** of Coca-Cola FEMSA Philippines, East-West Seeds Co., Mitsubishi Motor Phil.

Corporation; **Consultant** of Marsman-Drysdale Group of Companies. *His past experiences include:* **Chairman** of Social Security System; **Chairman and CEO** of Nestle Philippines., Singapore and Thailand; **Director** of Equitable Savings Bank, Inc., PCI Leasing and Finance Inc., Philex Mining Corporation, Philippine Long Distance Telephone Company (PLDT), San Miguel Corporation; **Secretary** of Trade Industry; *Educational Background:* Advanced Management from International Institute of Management Development (IMD), Lausanne, Switzerland; Post-graduate studies on Foreign Trade from Thunderbird School of Global Management, Arizona, USA; and Bachelor of Science in Business Administration from Ateneo De Manila University, Philippines.

LORENZO V. TAN, 56, Filipino, was elected as a **Director** in 2017. He is also the **President** of Megalink, Inc.; **Vice Chairman** of TOYM Foundation; **Director** of EEL Corporation, iPeople, inc., Malayan Insurance Company, Inc., Smart Communications, Inc. and Voyager Innovation, Inc., member of SMART Audit Committee, member of PLDT and SMART Communications Inc. Risk Committee, **Director** of SunLife Grepa Insurance Company, Philippine Realty Corporation (PHILREALTY); **Board of Advisors**, FICO Group of Companies, Bangkok, Thailand and **Managing Partner** of Primeiro Partners, Inc. *His past experiences include:* **President, Chief Executive Officer and Director** of Rizal Commercial Banking Corporation; **Chairman** of Asian Bankers Association; **President** of Bankers Association of the Philippines (BAP). *Educational Background:* Bachelor of Science in Commerce from De La Salle University, Master of Management from J.L. Kellogg Graduate School of Management of Northwestern University in Evanston, Illinois, USA. He is a Certified Public Accountant in the United States and in the Philippines. Mr. Tan is Certified Public Accountant in Pennsylvania, USA and in the Philippines. He was also a recipient of the Ten Outstanding Young Men of the Philippines Award for Banking in 1999, the International Association of Business Communicators CEO Excel Award for Insurance in 2006, the Lifetime Achievement Awardee (2011) in Finance from De La Salle University, and one of the 2014 People of the Year Awardee from People Asia.

EXECUTIVE OFFICERS:

GEMA O. CHENG, 53, Filipino, is the **Executive Vice President – Chief Operating Officer, Chief Finance Officer, and Treasurer**. She joined the company in February, 2016 and holds the following positions within the group: **Senior Vice President for Finance and Treasurer** in iPeople inc.; **Director, Chief Financial Officer and Treasurer** in Investment Managers, Inc.; **Director, Vice President for Finance and Treasurer** in Landev Corporation; **Director** in Malayan Colleges Laguna, Inc., and Manila Memorial Park Cemetery, Inc., **Treasurer** in Xamdu Motors, Inc. *Her past positions were as:* **Senior Vice President** of SM Investments Corporation; **Treasury Head** for SM Prime and its various business segments (Malls, Hotels & Conventions, Residences, Leisure and Commercial Properties Group); **Group Chief Finance Officer** for SM Land Inc., SM Development Corporation, Costa del Hamilo Inc., Prime Metroestate Inc., Summerhills Homes and Development Corporation and Pico de Loro Beach and Country Club with oversight of other SMIC-owned property companies; **Operations Support Group Head** of Malayan Insurance Co., Inc. (MICO); **Chief Finance Officer and Treasurer** of the Malayan Group of Insurance Companies. *Educational Background:* Bachelor of Arts in Economics (Magna Cum Laude) from the University of the Philippines-Diliman, Philippines; Certificate of Special Studies in Administration and Management from Harvard University, USA.

PORFIRIO S. DE GUZMAN, JR., 79, Filipino, has been a **Senior Vice President for Internal Audit** for more than ten (10) years. He is also a **Director** of Landev Corporation, Grepaland, Inc. and Philippine Integrated Advertising Agency; **Vice President & Deputy Chief Finance Officer** of Pan Malayan Management & Investment Corporation, and **Vice President & Chief Financial Officer** of Enrique T. Yuchengco, Inc., and Y Realty Corporation. *His past experiences include:* **Partner** at Sycip Gorres Velayo & Co. *Educational Background:* Master in Business Administration courses from Ateneo de Manila University, Philippines; Bachelor of Science in Business Administration Major in Accounting from University of the East, Philippines

ALEXANDER ANTHONY G. GALANG, 57, Filipino, is the **Senior Vice President for Internal Audit** since 2009. He was **Vice President** of the company from 2004 to 2009. *His past experiences include:* **Vice President for Audit & Special Projects** of Anglo Asian Strategic Management Inc.; **President** of Avrion Systems Inc.; **Deputy Managing Director** of Cala Paniman, Inc.; **Treasury Head** of Anglo Asian Holdings Corporation; **Regional Auditor** for Asia and Pacific of Triumph International, Inc.; **Finance Head** of Triumph International Vietnam, Inc.; **Senior International**

Corporate Auditor of International Semi-Tech Microelectronics, Inc., then parent company of Singer Sewing Machine Co. USA.; **Internal Audit Manager** of Honda Philippines, Inc., **Finance Comptroller** of Midas Touch Foods Corp, et. al.; **Senior Auditor** at SGV and Co. CPAs.; **Member, Board of Trustees** of the Association of Certified Fraud Examiners - Philippine Chapter. He is a Certified Public Accountant (CPA) having placed 12th in the 1981 licensure exams. He has a Global Certification as a Certified Fraud Examiner (CFE) and a Certification in Risk Management Assurance (CRMA). **Educational Background:** Bachelor of Science in Business Administration Major in Accounting from University of Sto. Tomas, Philippines.

RAUL VICTOR B. TAN, 58, Filipino, is the Senior Vice President-Group Treasury Head. He was appointed to the position in July 2017. He is also the Treasurer of Malayan Education Systems, Inc. and Dean of the ETY School of Business Management of Mapua University. Prior to his appointment, he was a consultant of the Company. **His previous affiliations include:** Executive Vice President and Treasurer of Rizal Commercial Banking Corporation (RCBC); Director of RCBC Services Bankard Corporation and Merchants Savings and Loan Association; Inc. (Rizal Microbank- A Thrift Bank); Head of Treasury and Chief Dealer, United Coconut Planters Bank. **Educational Background:** Bachelor of Science in Business Management and Masters in Business Administration from Fordham University, N.Y., U.S.A.

JOSELITO D. ESTRELLA, 53, Filipino, is the Senior Vice President and Chief Information Officer .. His past experiences include: Vice President for Sales & Marketing of AGD Infotech Inc.; **Sales Manager, Business Development Manager and Product and Services Head** of Pan Pacific Computer Center Inc. **Educational Background:** Bachelor of Science in Commerce Major in Management from San Beda College; Master of Science in Information Technology from De La Salle University.

MA. ESPERANZA F. JOVEN, 47, Filipino, is the Vice President for Finance. She also holds the following positions within the group: **Vice President for Finance** in iPeople, inc.; **Vice President for Finance & Treasurer** in HI-Eisai Pharmaceuticals, Inc.; and **Director** in Zamboanga Industrial Finance Corporation **Her past experiences include: Assistant Professional Lecturer** at De La Salle University; **Assistant Vice President for Financial Reporting** at J.P.Morgan Chase Bank N.A; **MSCF Program Coordinator** at De La Salle University. She also held the Series 7, 63, and 24 licences with the Financial Industry Regulatory Authority (FINRA), The Nasdaq Stock Market, and 52 states and territories of the USA. **Educational Background:** Master of Science in Computational Finance and Bachelor of Science in Applied Mathematics from De La Salle University-Manila.

MARIA ELISA E. DE LARA, 48, Filipino, is the Vice President for Internal Audit since 2013. She joined the company in October 2010 and was appointed as **Assistant Vice President** for Group Internal Audit effective January 2011. She is a Certified Public Accountant and holds a Global Certification in Risk Management Assurance (CRMA). **Educational Background:** Bachelor of Science in Business Administration Major in Accounting from the Philippine Women's University.

MARIA TERESA T. BAUTISTA, 45, Filipino, is the Vice President - Controller since July, 2017. She is also the **Controller** of iPeople, inc. **Her past experiences include: Group Finance Manager** of Prime Orion Philippines, Inc. She is a Certified Public Accountant, holds a global certification for Internal Auditors (CIA) and has completed the Six Sigma Green Belt Program. **Educational Background:** Bachelor of Science in Commerce, Major in Accounting from St. Paul College, Philippines.

JOSE A. TANJANGCO III, 56, Filipino, is an Assistant Vice President and Chief Risk Officer from December 2010 to present. He also holds the following positions within the group: **Chief Risk Officer** of iPeople, inc.; **Director** of Manila Memorial Park Cemetery, Inc. and Zamboanga Industrial Finance Corporation **Educational Background:** Master in Business Administration from IESE, Barcelona, Spain; Bachelor of Arts in Economics from Ateneo de Manila University, Philippines.

SONIA P. VILLEGAS, 49, Filipino, is an Assistant Vice President for Human Resources since 2013. She is also a **Director** of Greyhounds Security & Investigation Agency Corporation Prior to her current position, she was the **Administrative Executive Assistant** of the SVP for Finance & Treasurer, Chief Information Officer, Chief Compliance Officer from 2000 to 2013 and **Research Assistant** at the

Business Development Department from 1990 to 1993. **Educational Background:** Bachelor of Arts in Economics from the University of the East, Philippines.

LALAIN P. MONSERATE, 53, Filipino, joined the Company in November, 2016 as **Assistant Vice President – Legal and Compliance Officer**. She was appointed **Data Privacy Officer** for the Company on June 2017. **Her past experiences include: Assistant Director** of the Investigation and Prosecution Division, Enforcement and Investor Protection Department of the Securities and Exchange Commission (SEC). She spent 12 years at the SEC, rising from the ranks, i.e. from Securities Investigator, Securities Counsel, Chief Counsel, Division Head and Assistant Director. **Educational Background:** Bachelor of Laws and Bachelor of Arts in Political Science from University of Nueva Caseres. She passed the Bar Examinations in 1999.

SAMUEL V. TORRES, 53, Filipino, is the **Corporate Secretary**. His other present positions include: **General Counsel & Corporate Secretary** of Pan Malayan Management & Investment Corporation, and **Corporate Secretary** of A.Y. Holdings, Inc., Mijo Holdings, Inc., Luisita Industrial Park Corporation, RCBC Bankard Services, Inc., Sun Life Grepa Financial, Inc., PetroEnergy Resources Corporation, Seafront Resources Corporation, GPL Cebu Tower Office Condominium Corporation, iPeople, inc., RCBC Land, Inc., RCBC Forex Brokers Corporation, RCBC Realty Corporation, RCBC Securities, Inc., RCBC Capital Corporation, Malayan High School of Science, Inc., Malayan Education System, Inc., Malayan Colleges Mindanao (A Mapua School), Inc., GPL Holdings, Pan Pacific Computer Center, Inc., Honda Cars Kalookan, Inc., Hi-Eisai Pharmaceutical, Inc., People eServe Corporation, La Funeraria Paz Sucat, Inc., Landev Corporation, Pan Malayan Realty Corporation, First Nationwide Assurance Corporation, Malayan Insurance Co., Inc., MICO Equities, Inc., and Tokio Marine Malayan Insurance Corporation **His past experiences include: International Counsel** of South Pacific for Federal Express Corporation **Educational Background:** Bachelor of Laws from Ateneo De Manila University School of Law, Philippines; Bachelor of Science in Business Economics from the University of the Philippines.

MA. ELVIRA BERNADETTE C. GARCIA-GONZALEZ, 41, Filipino, is the **Assistant Corporate Secretary**. She is also the **Corporate Secretary** of Blackhounds Security and Investigation Agency, Inc. and the **Assistant Corporate Secretary** of House of Investments, Inc., Malayan Colleges Mindanao (A Mapua School), Inc., Yuchengco Tower Office Condominium Corporation, Y Tower II Office Condominium Corporation, and GPL Holdings, Inc. **Her past experiences include: Legal Counsel and Assistant Corporate Secretary** of Coca-Cola Bottlers Philippines, Inc.; **Assistant Corporate Secretary** of Philippine Bottlers, Inc. and Luzviminda Land Holdings, Inc. **Educational Background:** Juris Doctor from Ateneo De Manila University School of Law; Bachelor of Arts in Political Science from Ateneo De Manila University, Philippines.

Nominations for Independent Directors and Procedures for Nomination

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

- a) The Board shall comprise of the higher of three (3) or one-third (1/3) independent directors. An independent director is one who is independent of management and free from business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as director, and must possess all of the qualifications, and none of the disqualifications as prescribed by the Bangko Sentral Ng Pilipinas, Securities and Exchange Commission and other regulatory authorities, from time to time.
- b) A Corporate Governance and Nomination Committee composed of three (3) members shall promulgate the guidelines or criteria to govern the conduct of the nominations:
- c) Nomination of independent director shall be conducted by the Corporate Governance and Nomination Committee prior to the stockholders' meeting. All recommendations shall be signed by the nominating stockholders together with the acceptance and conformity by the would-be nominees.
- d) The Corporate Governance and Nomination Committee shall pre-screen the qualifications and prepare a final list of all candidates and put in place screening policies and parameters to enable it to effectively review the qualifications of the nominees for independent directors;
- e) After the nomination, the Corporate Governance and Nomination Committee shall prepare a Final List of Candidates which shall contain all the information about all the nominees for independent directors, as required by existing and applicable rules, which list, shall be made available to the

- Commission and to all stockholders through the filing and distribution of the Information Statement, or in such other reports the Company is required to submit to the Commission. The name of the person or group of persons who recommended the nomination of the independent director shall be identified in such report including any relationship with the nominee;
- f) Only nominees whose names appear on the Final List of Candidates shall be eligible for election as Independent Directors. No other nominations shall be entertained after the Final List of Candidates shall have been prepared. No further nominations shall be entertained or allowed on the floor during the actual annual stockholders' meeting.
- g) Election of Independent Directors
- Subject to pertinent existing rules and regulation of SEC, the conduct of the election of independent directors shall be made in accordance with the standard election procedures of the By-laws.
 - It shall be the responsibility of the Chairman of the Meeting to inform all stockholders in attendance of the mandatory requirement of electing independent directors. He shall ensure that independent directors are elected during the stockholders' meeting.
 - Specific slots for independent directors shall not be filled up by unqualified nominees.

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

The following were nominated to the position of directors of the Company for the year 2017-2018:

Regular Directors

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

Independent Directors

- 1) Dr. Roberto F. de Ocampo
- 2) Mr. John Mark S. Frondoso
- 3) Mr. Ermilando D. Napa
- 4) Mr. Francisco H. Licuanan III
- 5) Mr. Juan B. Santos

The above-mentioned nominees are all incumbent members of the Board of Directors.

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

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

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

The Nomination Committee reviews and evaluates the qualifications of all persons nominated as director as well as those to be nominated to other positions requiring appointment by the Board of Directors. With respect to the independent directors, their nomination and qualification by the Nomination Committee were in compliance with the Company's By-Laws, Manual of Corporate, and

SRC Rule 38. The directors so nominated possess all the qualifications and none of the disqualifications for independent directors. (Attached as Annexes 1 to 6 are the Certifications of Independent Directors)

Period in Which the Directors and Executive Officers Should Serve

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

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

Terms of Office of a Director

Pursuant to the Company By-Laws, the directors who shall be stockholders are elected annually by the stockholders for the term of one year and shall serve until the election and acceptance of their duly qualified successors. The composition of the members of the Company's various committees for 2016-2017 are as follows:

Committee Membership of Directors

Executive Committee

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

Remuneration Committee

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

Audit Committee

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

Board Risk Oversight Committee

Ermilando D. Napa	Chairman
Wilfrido S. Sanchez	Member
John Mark S. Frondoso	Member

Corporate Governance and Nomination Committee

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

Resignation of Directors

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

Election of Directors

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

Appointment of Officers

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

Significant Employees

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

Family Relationships

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

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

Interest on Certain Matters to be Acted Upon

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

Certain Relationships and Related Transactions

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

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

In December 2017, MES paid a reservation deposit to House of Investments to secure a space for the building project of the Company located along P. Ocampo Ext., Makati City. The reservation deposit will be applied against the lease payments, any fit-out payments advanced by House of Investments on behalf of MES, and security deposit payment. The lease contract will commence in upon the execution of a Lease Agreement between the Parties.

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

Involvement in Legal Proceedings

The Company is not aware and none of the directors and officers or persons nominated to become directors or officers has informed the Company of the following events during the past five years until April 30, 2018:

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

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

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

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

Item 6: Compensation of Directors and Executive Officers

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

NAME AND POSITION	YEAR	SALARY	BONUS	OTHER ANNUAL COMPENSATION
The top 5 executives of the Company are as follows:				
1. Medel T. Nera, President & CEO				
2. Gema O. Cheng, EVP – Chief Operating Officer, Chief Financial Officer & Treasurer				
3. Alexander Anthony G. Galang, SVP – Internal Audit				
4. Raul Victor B. Tan, SVP & Group Treasury Head	2018	P 31.6M (est)	P0	P0
5. Joselito D. Estrella, SVP – Chief Information Officer	2017	P 29.3M	P0	P0
	2016	P25.4M	P0	P0
All other officers and directors as group unnamed.	2018	P 28.6M (est)	P0	P1.2M (est)
	2017	P 27.3M	P0	P0.7M
	2016	P 23.2M	P0	P0.8M
TOTALS	2018	P 60.2M(est)	P0	P1.2M (est)
	2017	P 56.6M	P0	P0.7M
	2016	P 48.6M	P0	P0.8M

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

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

Item 7: Independent Public Accountants

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

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

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

Disagreement with Accountants on Accounting and Financial Disclosure

There was no event for the last 5 years where SGV & Co. had any disagreement with regard to any matter relating to accounting principles or practices, financial statement disclosure or auditing scope or procedure.

Attendance of Accountants at the Meeting

Representatives of SGV & Co. are expected to be present at the annual stockholders meeting on July 20, 2018 with the opportunity to make any statement, if they so desire, and will be available to respond to appropriate questions on the Company's financial statements.

External Audit Fees and Services

The Company has engaged SGV & Co. as the external auditor, and is tasked to conduct the financial audit of the Company. For this service, SGV & Co. has billed the company the following amounts:

YEAR	AUDIT FEE BILLING
2017	P3,021,500
2016	P2,961,500
2015	P 2,897,190

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

Tax Fees

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

All Other Fees

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

Item 8: Compensation Plans

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

C. ISSUANCE AND EXCHANGE OF SECURITIES

Item 9: Authorization or Issuance of Securities Other than for Exchange

No action is to be taken with respect to the following:

1. modification or exchange of securities
2. financial and other information
3. mergers, consolidation, acquisition and similar matters
4. restatement of accounts

Item 10. Modification or Exchange of Securities

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

Item 11: Financial and Other Information

The audited financial statements as of December 31, 2017, Management Discussion and Analysis, Market Price of Shares and Dividends and other data related to the Company's financial information is attached hereto as "Annex A"

Item 12: Mergers, Consolidations, Acquisitions and Similar Matters

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

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

5. the liquidation or dissolution of the registrant.

Item 13: Acquisition or Disposition of Property

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

Item 14: Restatement of Accounts

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

D. OTHER MATTERS

Item 15: Action With Regard to Reports

The Minutes of the previous stockholders meeting held on July 21, 2017 and the Management Report as set forth in the Annual Report will be submitted for stockholders approval.

Approval of the July 17, 2016 Minutes constitutes a ratification of the accuracy and faithfulness of the Minutes of the events that transpired during the said meeting, such as (a) 2016 annual report and audited financial statements, (b) ratification of the actions of the Board of Directors, different Committees and Management during the year 2015, (c) election of directors, and (d) appointment of external auditors.

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

Ratification and confirmation of all the acts, resolutions and proceedings of the Board of Directors, Executive Committee and officers of the Company. This pertains to all acts resolutions, proceedings and approval made by the Board of Directors, Executive Committee and Officers of the Company from the last stockholders' meeting on July 21, 2017 for the period 2017 up to the date of meeting (July 20, 2018). This includes, among others, those that involve the day to day operations, administrations and management of the corporate affairs such as: a) opening/closing of bank accounts and delegation of bank signatories; b) approval of loans; c) redemption of preferred shares; d) declaration of cash dividends; e) appointment/promotion of officers; and f) ratification of the non-binding term sheet for the merger of iPeople,inc. with AC Education, Inc..

Copies of the minutes of the stockholders' meeting shall be given to the stockholders at the meeting.

Item 16: Matters Not Required to be Submitted

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

Item 17: Amendment of Charter, Bylaws or Other Documents

None.

Item 18: Other Proposed Action

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

1. Approval of the Minutes of the Annual Stockholders' Meeting held on July 21, 2017.
2. Approval of the Management Report and the Audited Financial Statements of the Company for the year ended December 31, 2017;
3. Ratification and confirmation of all acts, resolutions and proceedings of the Board of Directors, Executive Committee and Officers of the Company during the year 2017.
4. Election of Directors for 2018-2019.
5. Appointment of External Auditors

Item 19: Voting Procedures

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

The voting procedure for election and approval of corporate action in which Stockholders' approval will be required shall be by "viva voce" unless voting by ballot is decided upon during the meeting. The methods by which vote will be counted, except in cases where voting by ballots is applicable, voting and counting shall be by "viva voce". If by ballot, counting shall be supervised by external auditors.

The Company will not declare stock dividends during the year.

Corporate Governance

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

The Company complied with the appropriate self-rating assessment and performance evaluation to determine and measure the compliance with the Manual.

In compliance with SEC Memorandum Circular No. 19 dated November 22, 2016 and with SEC Memorandum No. 20 dated December 8, 2016, the Company submitted a Manual on Corporate Governance on May 30, 2017.

In compliance with SEC Memorandum No. 4 dated March 9, 2017, all Independent Directors are within the maximum cumulative terms limit of nine (9) years from the reckoning year of 2012.

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

The Company has exerted best efforts to comply with the provisions in its Manual on Corporate Governance. To ensure that leading practices on corporate governance are fully observed, the following steps have been undertaken:

- 1) Attendance of each Director on all the Board of Directors' Meeting are monitored and recorded.
- 2) All financial reports were reviewed by the Audit Committee before being finalized and thereafter endorsed to the Board of Directors for approval and submission to pertinent offices.
- 3) Other systems and measures have been undertaken such as observance of the Code of Ethics, Financial and Manpower Audit, providing seminars and conferences to comply with all relevant laws, regulations and codes of business practices. The Company maintains its system of check and balance.

(c) Deviation from the Manual on Corporate Governance

There is no known deviation from the Manual on Corporate Governance.

(d) Plans to Improve Corporate Governance

In order to improve Company's adherence to the leading practices in good corporate governance, the Company's Directors and Top Management attends the annual seminar on Corporate Governance conducted by an entity accredited with the Securities and Exchange Commission. Further, the Company continuously monitors all relevant PSE and SEC Circulars on Corporate Governance that maybe used to improve its Manual on Corporate Governance.

UNDERTAKING

UPON WRITTEN REQUEST OF A STOCKHOLDER, THE COMPANY UNDERTAKES TO FURNISH THE STOCKHOLDERS WITH A COPY OF THE COMPANY'S YEAR 2017 ANNUAL REPORT ON SEC FORM 17-A FREE OF CHARGE. ANY WRITTEN REQUEST FOR A COPY OF SEC 17-A SHALL BE ADDRESSED AS FOLLOWS:

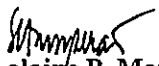
House of Investments, Inc.
Attention: Officer of the Corporate Secretary
Address: 3rd Floor GPL Building
219 Sen. Gil J. Puyat Avenue
Makati City
Tel. No.: (632) 815-9636
Fax No.: (632) 816-1127

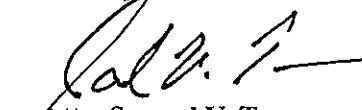
SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in Makati City on June 1 JUN 2018.

House of Investments, Inc.


By:


Atty. Lalaine P. Monserate
Compliance Officer


Atty. Samuel V. Torres
Corporate Secretary

TESTIFIED AND SWORN TO BEFORE
ME THIS 1st DAY OF JUN 2018 IN THE CITY
OF MAKATI WHEREIN THE SIGNANT EXHIBITED HIS/HER
SIGNATURE AND IDENT NO. _____
WITNESSED AND ISSUED AT _____

Doc No. 15
PAGE NO. 12
BOOK NO. 60
SERIES OF 281


ATTY RAYMOND A. RAMOS
COMMISSION NO. M-277
NOTARY PUBLIC FOR MAKATI CITY
UNTIL DECEMBER 31, 2018
NO. 15 J.P. RIZAL EXTN. COR. TANGULE ST
COMEMBO, MAKATI CITY
SC Roll No. 6217904-26-2013
IBP NO. 022957/01-04-2018/Pasig City
PTR NO MKT-6614630, 01-03-2018/MAKATI CITY
MCLB Compliance No. V-000514/10-31-2014



MANAGEMENT REPORT

Financial and Other Information

Audited Financial Statements

The Statement of Management's Responsibility and Consolidated Audited Financial Statements of the Group as at December 31, 2017 are attached hereto as Annex "A".

Changes in and Disagreements with Accountants in Accounting and Financial Disclosure

None

Management Discussion and Analysis of Financial Condition and Plan of Operations

1. Description of Business

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

The Company's core business focus is organized into four segments, namely: car dealership, construction, education and project & property Management. Its portfolio investments are in pharmaceuticals, energy, afterlife services, and consumer finance.

House of Investments owns and operates car dealerships under the Honda and Isuzu brands. The Company's Honda dealerships are in Quezon Ave., Manila, Marikina, Fairview, and Marcos Highway and one service center in Tandang Sora. House of Investments also owns a majority stake in Honda Cars Kalookan, Inc. that owns and operates dealerships in Kalookan and Greenhills. The Company's Isuzu dealerships are in Manila, Commonwealth, Greenhills, and Leyte.

The Company owns a majority stake in EEI Corporation, one of the largest Philippine construction and general contracting firms having domestic and international operations spanning from Asia to the Kingdom of Saudi Arabia.

House of Investments owns a majority stake in iPeople, inc. (PSE:IPO), which owns the Malayan Education System, Inc. (Operating under the name of Mapúa University).

House of Investments wholly owns Landev Corporation, which is primarily engaged in property management and project management for the YGC and provides comprehensive security services to leading installations through its subsidiary Greyhounds Security and Investigation Agency Corp.

The Company's portfolio investments are in: HI-Eisai Pharmaceuticals, Inc., a joint venture with Eisai Company of Japan; PetroEnergy Resources Corporation; Manila Memorial Park Cemetery, Inc.; La Funeraria-Paz-Sucat, Inc.; Zamboanga Industrial Finance Corporation; and RCBC Realty Corp. which owns the RCBC Plaza.

CORE BUSINESS UNITS:

A. CAR DEALERSHIP:

House of Investments operates two car-retailing brands: Honda and Isuzu.

The Company operates six Honda dealerships, namely: Honda Cars Quezon City (HCQC), Honda Cars Manila (HCMA), Honda Cars Marikina (HCMK), Honda Cars Fairview (HCFV), Honda Cars Marcos Highway (HCMH) and one service center in Tandang Sora (HCTS). HI also owns a majority stake in Honda Cars Kalookan, Inc. that operates two dealerships in Kalookan (HCKI) and Greenhills (HCGH).

The Company operates four Isuzu dealerships, namely: Isuzu Manila (IMI), Isuzu Commonwealth (ICW), Isuzu Greenhills (IGH), and Isuzu Leyte (ILY)

B. CONSTRUCTION

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

C. EDUCATION

House of Investments owns a majority stake in iPeople, inc. (“iPeople”), the vehicle for investments in education. iPeople (together with House of Investments) wholly owns the Malayan Education System, Inc. (Operating under the name of Mapúa University) (“MES”). Mapúa University is widely considered to be the leading and largest private engineering and I.T. school in the country.

D. PROPERTY SERVICES

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

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

The operations of each core business, along with a discussion of risks and 2017 performance, will be discussed in the appropriate section.

PORTFOLIO INVESTMENTS:

A. ENERGY

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

PERC has investments in conventional and renewable energy, exploration and development. Its subsidiary PetroGreen Energy, Corporation has investments in a 20-MW Maibarara Geothermal Power Plant in Sto. Tomas, Batangas, 36-MW Nabas Wind Power Project in Aklan, and a 50-MW solar farm in Tarlac.

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

B. PHARMACEUTICALS

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

C. AFTERLIFE SERVICES

House of Investments owns material stakes in both Manila Memorial Park Cemetery, Inc. (“MMPCI”) and La Funeraria Paz-Sucat, Inc. (“LFPSI”). MMPCI is the recognized market leader in afterlife services. It sells memorial lots and owns, operates, and maintains memorial parks. LFPSI provides mortuary services to the bereaved and their loved ones.

D. CONSUMER FINANCE

House of Investments owns 50% of Zamboanga Industrial Finance Corporation (“ZIFC”). ZIFC provides consumer finance services (personal loans, secured loans, equipment leasing) in Zamboanga City.

THE HOLDING COMPANY

The executive management takes an active role in the management of the core businesses. In addition, the executive management monitors the business performance of these companies portfolio very

closely. Through regular review of actual results compared to budgets and previous year performance, House of Investments 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 identifying growth opportunities in existing businesses; helping develop new products and services that increase organic growth; or buying entire companies or controlling stakes in companies which show high growth potential 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 core business unit, please refer to the appropriate section in this report.*

a. Interest Rate Risk

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

b. Foreign Exchange Risk

The Company's exposure to foreign exchange risk is minimal. The company has 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

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

d. Credit Risk

The Company's holding of cash and short-term securities exposes the company to the credit risk of the counterparty. Given House of Investments's diverse body of counterparties, it does not have a concentrated credit risk exposure. The Company manages its receivables thru selective granting of credit lines to corporates and banks.

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.

The Company has non-core holdings in its AFS investments. For its non-core holdings, the Company's investment policy is to monitor developments in the market and 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 the Company's intention to liquefy these investments and put the excess cash to work.

- f. **Business Continuity Risk**
The Company is acutely conscious of the risks posed by natural disasters, acts of God, or other man-made actions that can have an adverse impact on the continuity of regular operations. The Company's Board through its Risk Oversight Committee and the management team ensures that the business continuity plans of each operating subsidiary is in place and is up to date.
- g. **Competition**
The company is subject to competition in the segments in which each of its core business units operates. *Please refer to the related section of each core business unit on the risks each group faces.*
- h. **Succession Risk**
The Company knows that people are an important resource and that its executive management team is a significant contributor to the continuing growth of House of Investments' investment portfolio. In order to preserve the management chain of succession and institutional knowledge that comes with it, the executive management works with the executives of the operating subsidiaries to ensure continuous training and career development are in place.

The Risk Management Committee of the Board meets regularly and exercises an oversight role on executive management who are accountable for managing the risks that arise out of regular business operations.

CAR DIVISIONS

House of Investments operates two car-retailing brands: Honda and Isuzu. Honda's vehicle line-up includes passenger cars and commercial vehicle categories, while Isuzu's are purely commercial vehicles.

HONDA

The Company's Honda dealership group is a significant player in the retailing of Honda cars in Metro Manila.

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

ISUZU

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

New vehicle unit sales are cyclical. Changes in unit sales are driven by factors like manufacturer incentives, interest rates, fuel prices, unemployment, inflation, weather, the level of personal discretionary spending, credit availability, consumer confidence and others. Car retailers have historically been less vulnerable than car manufacturers and car parts suppliers to declines in new vehicle sales. We believe this is due to the more flexible expense structure of retailers (they don't own the factories) and their diversified revenue streams. Car manufacturers may also offer various dealer incentives, which help to decrease earnings volatility for car retailers.

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

Risk Factors at the Car Divisions

a. Macro-economic conditions

The Car Divisions' performance is impacted by general economic conditions overall, and in particular, by economic conditions in the markets in which we operate. These economic conditions include: 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 Cars Philippines Inc. and with Isuzu Philippines Inc., which authorizes our dealerships to sell new vehicles of the brands we carry or perform manufacturer authorized warranty service. These agreements govern almost every aspect of the operation of our dealerships, and give manufacturers the discretion to terminate or not renew our franchise agreements for a variety of reasons
- Information Technology and Cyber Security. Our information systems are fully integrated into our operations. If these systems go down, our business could be significantly disrupted. In addition, to the extent our systems are subject to intentional attacks or unintentional events that allow unauthorized access that disrupts our systems, our business could be significantly disrupted.
- Property loss, business interruption or other liabilities. Our operations can be hampered by property losses due to fire, adverse weather conditions, and militant activities e.g. rallies and strikes, among others. In addition, our business is subject to substantial risk of loss resulting from: the significant concentration of property values, including vehicle and parts inventories, at our operating locations; claims by employees, customers, and third parties for personal injury or property damage; and fines and penalties in connection with alleged violations of regulatory requirements.

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. Availability of financing and interest rate sensitivity

- To the Company. The operations rely heavily on loans to fund its working capital and cash flow. The car divisions access credit through the lines available to the head office, i.e. House of Investments, Inc. while Honda Cars Kalookan, Inc. has its own lines with Banks.
A sustained or significant decrease in our operating cash flows could lead to an inability to meet our debt service requirements.
The interest rates we are charged on a substantial portion of our debt are variable, increasing or decreasing based on changes in certain published interest rates. Increases to such interest rates would likely result in significantly higher interest expense for us, which would negatively affect our operating results.

- To our clients. A significant portion of vehicle sales in the Philippines is funded through bank financing. 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.
- Tax Reform for Acceleration and Inclusion (“TRAIN”). In particular, the implementation of the TRAIN saw an increase in the Excise Taxes on vehicles sold effective January 2018, which may result in a decline in sales of some models. The probability of a second phase of increases is anticipated with the proposed TRAIN 2 that is currently being deliberated by lawmakers. An even more restrictive fiscal policy would further reduce the demand for brand new vehicles leading to lower revenues by the car dealerships.
 - Data Privacy Act. The recently passed Data Privacy Law requires that personal and sensitive information of EEI’s stakeholders held by the company be taken care of with utmost privacy. A breach of this requirement would mean stiff penalty and also possibly result to costly lawsuits that may tarnish our reputation. A committee has already been formed to spearhead the awareness for this requirement and implementation of necessary policies that protect personal data.

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

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

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

THE CONSTRUCTION SECTOR

EEI CORPORATION AND SUBSIDIARIES

EEI Corporation, one of the largest construction and general contracting firms in the Philippines, is 54% owned by House of Investments.

EEI, founded in 1931 is a leading provider of construction and engineering services for the erection of large-scale heavy and light industrial facilities, infrastructure, and building and property development projects worldwide. Long years of contracting and collaborating with global contractors, particularly in the Middle East and Asia Pacific countries, have enabled EEI to achieve world-caliber project management expertise and competencies in all fields and disciplines of construction.

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

Principal Activities

- A. Building Construction**
- B. Infrastructure**
- C. Industrial Facilities**
- D. Steel Fabrication**
- E. Manpower Supply**

EEI also owns five major subsidiaries:

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

In 2017, EEI Corporation's consolidated revenue was ₱14.92 billion. Revenues from construction contracts decreased by 1% due to slow progress of major infrastructure projects, which were facing right-of-way constraints. Meanwhile, non-construction revenues mostly increased with the exception of interest and discounts, a non-core activity. Sales of services grew by 18% with an expansion in the supply of workers by Gulf Asia Manpower Services, Inc. Sale of goods through Equipment Engineers, Inc. (EE) increased by 28%. Lastly, real estate sales through EEI Realty increased significantly by 120% due to the sale of socialized housing units in Royal Parks at Grosvenor Place in Tanza Cavite and some units in Suburbia East, Marikina City.

EEI Corporation recognized a significant Other Income of ₱401.76 million primarily due to a one-time gain from the sale of land located in Lemery, Batangas.

Further, the Company earned a total net equity income of ₱118.18 million primarily from its investments in PetroSolar Corporation and PetroWind Energy Inc.

The Company recognized a net loss of ₱14.5 million for its 49% share of loss in Al Rushaid Construction Company, Ltd. (ARCC), EEI Corporation's Joint Venture firm in the Kingdom of Saudi Arabia. Following a conservative approach to accounting practice, EEI Corporation made an additional loss provision of ₱372 million for possible nonrepayment of ARCC's claims from Saipem. This is notwithstanding the fact that ARCC has declared a full positive net income for 2017.

Since the end of 2017, ARCC and Saipem have been communicating about a possible settlement in connection with problems encountered in the RP2 Naptha and Aromatics Plant Project completed earlier in the year. The resumption of communication between the two parties is a positive development for ARCC.

EEI Corporation ended the year with a consolidated net income of ₱831.8 million, a reversal from a net loss of ₱847.7 million in 2016.

Risk Factors at the Construction Sector

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

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

a. Geopolitical risk and opportunities

- **Expected Philippine Infrastructure Boom.** As the government continues to change the political and economic situation in the country including EEI's relationships with other nations, the effects of which to the construction markets where EEI has interests is of particular interest: The "Build, build, build" initiative of the government is expected to provide a sizable opportunity for players in the construction industry but the funding for such and fairness of the government in awarding contracts are important factors; Though it is anticipated that a significant number of Chinese investors will be putting in money in the country, most of which to partner with the government to do new infrastructure projects, the credibility of these potential clients as "good" ones is somewhat suspect at least basing on the rating that the UN gave them; Japan has not only provided funding but also begun investing in infrastructure and other business ventures in the Philippines.

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

- **Looming Global Trade War.** Donald Trump announced tariffs on up to \$60 billion of imports from China, proposed new investment restrictions and promised to sue China at the WTO for its technology-licensing regime. In response, China could impose tariffs on \$3 billion of imports from America or a nuclear trade option, sell off its US treasury bills holdings which will dampen the US bond market. Meanwhile, American customs officials started collecting levies of 25% on incoming steel and 10% on aluminum from China.

Trade war rumblings have Wall Street investors on edge, sent market volatility soaring and may stunt global growth prospects. On the other hand, the US tariff will create a glut in steel products in the ASEAN region, which will ultimately reduce the price of steel.

To mitigate this risk, EEI is closely monitoring the price of steel and other construction products affected by the US tariffs to capitalize on the expected benefits.

b. Saudi country risk

A relatively sizable operation of the company is situated in the Kingdom of Saudi Arabia and the uncertainties in that area is of some concern. The prevailing low oil prices, the political instability and regional security threats (Iran, Syria and Yemen) continue to be a factor that affects the operations there. On the other hand, emerging opportunities exist with the new Crown Prince's Vision 2030 initiatives, Saudi Aramco's 3 IPO and alliance with Russia, which will not only stabilize the oil price but also create new economic activities.

EEI continues to focus on sustainable operations and maintenance contracts where margins are higher. EEI will also develop new international markets particularly in the ASEAN region that will fill the void due to slowdown in Saudi Arabia.

c. Business concentration risk

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

EEI was able to establish new clients but at the same time recognize that expanding the client base has its limits. It is the reality of the Philippine business environment that investors are not that many. So EEI will expand its client base as much as possible but will give equal emphasis on the "quality" of the clients that EEI caters to – clients that have a track record of being fair and with sound financial standing are preferred. EEI also identified ways to expand our contracting capacity to be able to increase its government contracts portfolio when there are favorable opportunities to do so and also possibly serve as a balancing force to EEI's non-government contracts portfolio.

d. Credit Risk

It is typical in the industry, here and abroad, that executing a construction project involves a certain amount of credit between us (the contractor) and the client. Though the client's down payment is meant to provide working capital for the contractor, usually this is insufficient considering the fast-paced work, change orders, and timing difference between billing and collection. Thus, most of the time, a certain amount of work is being "financed" by the contractor and the probability of successfully collecting such is the risk. As EEI has undergone a significant increase in the number and size of projects that it are doing, the level of credit risk has also proportionately risen and should be given ample attention.

EEI performs close monitoring of project cash flow and prompt billing is being done, ensures that all change orders are only executed with proper approval documents from the client to ensure collectability of the work, initiate due diligence of new clients during tender stage as part of KYC, and negotiate for higher down-payment from the client.

e. Interest rate risk

The era of quantitative easing known as QE3, using dollars created out of thin air to buy vast sums of bonds \$4.4 trillion, is over in the United States. This will signal an end to easy money in Asia. Interest rates are expected to rise with US Federal Reserve Chairman recent announcement for a faster pace to rate hikes to address inflation caused by a strong economy. Higher interest rates result to higher borrowing costs.

To mitigate this risk, EEI's efforts to expand its facilities from banks to an optimum level have been successful and efforts to reduce debt levels are continuing.

f. Competition risk

Influx of new foreign competitors is expected with the loosening of the local laws for foreign contractor entry into the local construction market. EEI's local competitors tie up with specialty foreign contractors has also contributed to the intense competition in the market. EEI continues to focus on its core business where it has competitive advantage and has cemented its business relationship with its main customer base and is continuing with its initiative to enter into foreign markets with the help of its current and future foreign partners

g. Succession planning

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

h. Manpower sourcing

The construction boom in the Philippines has put considerable strain in the supply of human labor as various construction companies vie for their services. Although EEI's pool of workers is sufficient for the present amount of work, the anticipated award of new projects will require additional workers. The capacity of EEI's recruitment group to acquire talents from various parts of the country has been supplemented by increasing their manpower complement.

Efforts are now being done to make the deployment of our workers to various projects more efficient – that is, spot over-supply in certain areas and redistribute them to projects where they can be better utilized. In addition, the use of technology and machines in lieu of human labor is also being explored and training programs for zero-skilled applicants are being intensified to properly equip new recruits to work in our projects.

i. Implementation of PFRS 9 & 15 regulations

Starting January 1, 2018, the Philippine Financial Reporting Standard (PFRS) 9 and 15 will take effect. This means that management's discretion on the provisioning of savings or overruns for projects (which is intended to match revenue and cost recognition) will now be removed. Instead, revenues will be reported as contract obligations are satisfied while cost will be recognized when losses are incurred. In this case, the new standards will result to increased

volatility in EEI's financial results. How its stakeholders react to this volatility may impact our stock price and the analysts' view of EEI's performance. Efforts will be taken to discuss such volatility with all relevant stakeholders to provide proper context and expectations and in managing credit and operational risks will help reduce such volatility

j. Effects of TRAIN Law

The TRAIN Law is expected to induce price increase in the resources used in EEI's projects. These price movements may result to additional costs without compensating increase in revenue if not properly identified and managed.

To mitigate this risk, escalation clauses are included in contract provisions with our clients and medium term supply contracts have been arranged with major suppliers except for steel products where prices are expected to decline due to supply glut that may arise from the trade war between US and China.

k. Disruptive technology

New technologies in construction – such as robotics, construction design by artificial intelligence – have the potential to disrupt the state of the industry. Players failing to adopt or even adapt to such changes may prove disastrous as they risk obsolescence. Efforts to explore and study the use of these new technologies are being done.

l. Sustainability

EEI is aware that our business' sustainability equally hinges in the state of our people, the society it serves and the environment we live in. Factors such as employee morale, militant ideological beliefs and natural disasters may have severe effects to its business if not properly managed.

To mitigate this risk, initiatives to provide EEI's people with a safe, orderly, fair and, as much as possible, comfortable working environment are continuing. EEI continues to cultivate the community within and outside the workplace. The methods EEI employs in the work adhere to the strictest environmental standards and a testament to this is EEI's ISO 14001 certification. Programs wherein EEI's people perform extracurricular activities that help the environment are continuing (e.g. regular tree planting activity). EEI have invested in a solar energy farm and a wind energy farm.

m. Cyber security

As EEI pushes to use more sophisticated technology in improving the way we do our work; the use of the Internet cannot be avoided. However, using the Internet includes the possibility of being a target of cyberattacks and the increasing global trend of such attacks needs to be considered. Assessments on this threat and equipment to protect against these attacks are already acquired and in-place.

n. Data Privacy

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

o. Operational risks

- General. 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; and Government approvals and right of way issues.

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

To mitigate this risk, increased awareness of project risk owners of the identification of risk and its impact on the project and performance of probabilistic forecasting to enable improved management of these external factors were implemented. Efforts to enhance the monitoring of project performance including the possible effects of all type of risk exposures are continuing in its development and is expected to further improve the company's anticipation of risks and response were done.

Future construction contracts are being negotiated EEI 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 rules of thumbs during project execution to contain losses when the risk materializes

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

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

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

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

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

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

THE EDUCATION SECTOR

iPeople, inc. ("iPeople") is the holding company under House of Investments and of YGC that drives investments in the education sector. iPeople is a publicly listed company on the Philippine Stock Exchange (PSE:IPO).

iPeople owns a majority stake (93%) in Malayan Education System, Inc. (Operating under the name of Mapúa University). Mapúa University has two other wholly owned operating subsidiary schools, the

Malayan Colleges Laguna (A Mapúa School), Inc. ("MCL") and the Malayan High School of Science, Inc. ("MHSS").

Mapúa University is expanding in Mindanao with the acquisition of a 3-hectare property in Davao through its newly incorporated school, Malayan Colleges Mindanao (A Mapua School), Inc. ("MCM"). The school will open its doors to the first batch of Grade 11 and college freshmen students on July 2, 2018.

MALAYAN EDUCATION SYSTEM, INC. (OPERATING UNDER THE NAME OF MAPUA UNIVERSITY)

Mapúa University is widely considered to be the leading and largest private Engineering and I.T. University in the country. Don Tomas Mapúa, the first registered Filipino architect, founded Mapúa Institute of Technology on January 25, 1925. Mapúa University operates in two (2) major campuses: its main campus in Intramuros and its extension campus in Makati.

Mapúa University's commitment to its Continuous Quality Improvement philosophy has earned for the Institution the reputation as a recognized leader in providing quality education in the country, especially in the field of Engineering. The Philippine Association of Colleges and Universities Commission on Accreditation ("PACUCOA") confirmed Mapúa's Level IV status having programs, which are highly respected as very high academic programs in the Philippines and with prestige and authority comparable to similar programs in excellent foreign universities. PACUCOA is a private accrediting agency, which gives formal recognition to an educational institution by attesting that its academic program maintains excellent standards in its educational operations, in the context of its aims and objectives.

The Commission on Higher Education ("CHED") confirmed Mapúa with the Autonomous Status effective from April 2016 to May 2019. The CHED also recognized eight (8) of University's Engineering programs as Centers of Excellence ("COE") and one (1) as Center of Development ("COD"). Mapúa is the only private higher education institution that has the most number of Engineering programs with COE status in the Philippines.

Mapúa University is also the first school in Southeast Asia that has received the prestigious accreditation from the Accreditation Board of Engineering and Technology ("ABET") in the United States for 11 of its engineering programs and 2 of its computing programs. This means that the graduates from those degree programs are considered to have received education and training comparable to similar degree programs in the US and Europe that have also received the ABET accreditation. Mapúa has the highest number of ABET-accredited programs in any single academic corporate entity in the Philippines.

Mapúa University is the first private educational institution in the country to have programs awarded with full accreditation by the Philippine Technological Council - Accreditation and Certification Board for Engineering and Technology ("PTC-ACBET"). Mapúa University is also accredited by the Philippine Computer Society - Information and Computing Accreditation Board ("PICAB"). A total of eight (8) of its engineering programs are accredited with PTC-ACBET, while three (3) of its computing programs are accredited with PICAB.

In further testament to its strive for excellence, Mapúa has been granted university status by the Commission on Higher Education on May 18, 2017. This milestone in Mapúa University's history recognizes the institution's sustained efforts to raise the standards of technological education and research in the Philippines.

Also in 2017, Mapúa University was awarded an overall rating of three (3) stars by the Quacquarelli Symonds (QS) Stars. The QS Stars is a rating system that gives students and the international community a wider picture of a higher education institution's strengths and qualities. Mapúa received a five-star rating in the categories of employability, facilities, and social responsibility; and four stars in inclusiveness and teaching.

Mapúa University continues to be ranked among the top performing schools in licensure examinations regulated by the Professional Regulation Commission. Its graduates consistently rank among the top

ten of the various board examinations. In 2017, the school produced 17 top finishers bringing the total top ten finishers from Mapúa to 344 from the past seventeen years alone.

Mapúa graduates are also the highest paid employees for: (a) 1-4 years experienced employees, (b) supervisor / 5 years and up experienced employees, and (c) assistant manager or manager positions. This is according to Jobstreet's database as published by Entrepreneur.com on July 18, 2017.

MALAYAN COLLEGES LAGUNA (A MAPÚA SCHOOL), INC.

Located in Cabuyao, Laguna, alongside several science and industrial parks, Malayan Colleges Laguna was established to extend the brand of the Mapúa Institute of Technology to the south by offering programs in engineering, computer science, information technology, business, accountancy, and hotel and restaurant management to students who prefer to stay closer to home.

The institution's community started with 854 students in its first year in the academe. Today, there are 5,183 students under both college and Senior High School ("SHS"). MCL, like its parent company Mapúa University, offered SHS. MCL also adopted Mapúa's design for its SHS curricula and imbedded Internet of Things ("IoT"). IoT is an emerging technology that primarily deals with communication between smart / intelligent devices through the internet. This gave MCL a unique advantage in the secondary education sector, ensuring that our students and curricula remain competitive on a global scale as well. MCL SHS was opened in 2016 welcoming 1,012 Grade 11 students. In 2017, MCL took in 1,345 Grade 11 students.

In 2006, the CHED gave the approval for MCL to offer eight programs of study in Engineering, Information Technology, and Business. This was after MCL's satisfactory compliance with the standards of the CHED's Regional Quality Assurance Team. To date, the campus offers 22 bachelor's degree programs and two diploma programs under five colleges and one institute: the Mapúa Institute of Technology at Laguna, the E.T. Yuchengco College of Business, the College of Computer and Information Science, the College of Arts and Science, the Mapúa-PTC College of Maritime Education, and the Institute for Excellence in Continuing Education and Lifelong Learning.

As part of its pledge to provide quality education to its students, MCL has reached yet another milestone in 2017 by having its Chemical Engineering and Computer Engineering programs granted a 2-year accreditation term for Academic Year 2018-2019 to 2019-2020 by the PTC-ACBET. MCL's Electronics Engineering (ECE) and Mechanical Engineering (ME) programs, which were granted their certificates of accreditation last March 2016, were also awarded re-certification for another period of 4 years (AY 2017-2018 to 2020-2021), which is tantamount to eventually getting PTC-ACBET's Full Accreditation certification.

With its excellent facilities, technologically advanced and IT-integrated curricula, MCL was envisioned to be a Center of Excellence for science and technology education in Southern Luzon. Over a decade later, the institution finds itself succeeding, as proven by its graduates' and students' consistent excellent performance in licensure and certification exams, and in local and national competitions and quiz bowls. In 2016, FindUniversity.ph marked it as the number one private school in CALABARZON and the 10th best school in the Philippines.

As a result of its quest to continually improve 21st century education, MCL took home the Blackboard Catalyst Award for Leading Change during the Blackboard Teaching and Learning Conference Asia 2017 in Singapore on October 4. The Catalyst Award for Leading Change is given to institutions that are steering educational innovation by developing and implementing high impact strategies.

MCL, being an institution envisioning to be a global steeple of excellence in professional education and research, had produced its first international research interns. 4th year Chemical Engineering (ChE) students under MCL's Research Director, underwent a short-term research internship at National Chiao Tung University (NCTU) in Hsinchu, Taiwan from October to December 2017. Their thesis, which is about the removal of copper and lead in waste water using capacitive deionization (CDI), is part of a project under the MECO-TECO Program of DOST-GIA.

Driven by passion for knowledge, MCL seeks to meet the challenges of globalization in order to produce graduates who can exercise their skills in the global labor market. Given its excellent location, the MCL campus gives students the opportunity to train and apprentice with technology-driven

companies during their academic years. This school year, MCL once again excelled in the different licensure and certification exams, garnering outstanding performances and perfect passing rates (100%) in the Electrical Engineer Licensure Exam, Electronics Technician Licensure Exam, Industrial Engineering Certification Exam, Mechanical Engineer Licensure Exam, the National Institute of Accounting Technicians (NIAT) Certification Exam for Registered Cost Accountants, and even in the PRC-Licensure Exam for Teachers (Secondary Level). In the July 2017 Master Plumber Licensure Examination, MCL ranked as the no. 1 Top Performing School with an 85.71% passing rate.

MALAYAN COLLEGES MINDANAO (A MAPÚA SCHOOL), INC.

Incorporated in 2015, Malayan Colleges Mindanao (A Mapua School), Inc. was established to offer Mapua-education in Davao and Mindanao. It is targeted to start school operations in 2018.

Malayan Colleges Mindanao will be offering 14 programs upon its opening in SY2018-2019. The school will also be offering Senior High School in all 5 strands: Science Technology Engineering and Mathematics (STEM), Accountancy, Business, and Management (ABM), Humanities and Social Science (HUMSS), and General Academic Strand (GAS) under the Academic track and also Information and Communications Technology (ICT) strand under the Technical, Vocational and Livelihood track.

The school will open its doors to the first batch of Grade 11 and college freshmen students in July 2, 2018.

MALAYAN HIGH SCHOOL OF SCIENCE, INC.

MHSS is a science- and math-oriented high school located in Pandacan, Manila. Modeled after similar but publicly funded science high schools, MHSS offers a rigorous academic program geared towards graduating hard-working, mathematical and scientific-trained students that will excel in their university studies and beyond. The school is focused on optimizing student-to-teacher time and currently has 280 students.

MHSS is envisioned to be a global Center of Excellence in secondary education with a special focus on science and technology, thus giving the same quality education that its parent school, Mapúa Institute of Technology, is known for. It has a top-notch faculty, state-of-the-art facilities, and a curriculum that will allow students to “fully express not only their scientific inclinations but also their artistic bent.” At its young age, MHSS has already gained recognitions from numerous academic and non-academic events both here and abroad.

Risk Factors related to 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, MES and MCL are also accredited by PACUCOA while the initial accreditation of MCM is ongoing. MES is also accredited by the ABET; MES and MCL are both accredited by PTC-ACBET and PICAB.

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 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. MES, MCL, MCM, and MHSS are subject to maximum percentage increase guidelines issued by both the CHED and the DepEd, as applicable. The inability of our higher education institutions to increase tuition fees to cover higher operating costs may pose a risk to profits and cash flows over time.
 - Changes in regulations. The 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 ended up with two academic years of no entering freshman classes.

The reduction of the student population because of the K+12 program affected the Company's profits and cash flows in the medium term. MES, MCL and MHSS offered SHS 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 batches.

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 following may hamper the operations of the Mapúa schools:

- **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.
- **Labor unrest.** Mapúa University has two unions, Faculty Association of MIT (FAMIT) and MIT Labor Union (MITLU). A strike by any of the two unions would obstruct operations.

Mapúa University is bound by the collective bargaining agreement (CBA) signed between the institution and the two unions. Mapúa University negotiates with each union separately. The FAMIT represents the faculty members. The MITLU represents the non-teaching staff. To the extent that unions negotiate CBA's with higher increases

over time, this would negatively impact the cost structure of Mapúa University and lower the expected value of its profit and cash flows over time.

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 Mapúa University.

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. Interest Rate Risk

It is a company policy to use excess liquidity to pay down any 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. The Company 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.

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

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

f. Market Risk and Political Risk

In the event that adverse 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.

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.

The Free College Tuition also poses a risk to our schools. This may reduce the enrollment if current prospective students will opt to enroll in state-run universities and colleges.

PROPERTY SERVICES

LANDEV CORPORATION

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

- Property management for RCBC Plaza and RCBC Savings Bank Corporate Center
- Facilities management for RCBC and RCBC Savings Bank branches nationwide
- Project management for the construction of the ETY Building in Binondo and the Mapua campus in Davao.

GREYHOUNDS SECURITY AND INVESTIGATION AGENCY

Landev owns a subsidiary named Greyhounds Security and Investigation Agency. GSIA provides comprehensive security services to leading installations like RCBC Plaza, all RCBC branches, RCBC Savings Bank branches and all EEI projects nationwide.

RCBC REALTY CORPORATION

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

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

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

Risk Factors at the Property Services

a. **General Economic Conditions**

The success of our business is significantly related to general economic conditions and accordingly, our business could be harmed by an economic slowdown and downturn in commercial real estate 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**

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.

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 and facilities 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 and security service providers, including outsourcing companies that traditionally competed in limited portions of our facilities management business and have recently expanded their offerings, in-house corporate real estate departments, and developers.

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

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

The loss of the services of, or the failure to recruit, the required complement of 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.

f. Regulatory Risk

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

We are 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.

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.

h. **Liability**

In many cases, our property 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.

i. **Changes in Technology**

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

Item 2: Properties

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

The following summarizes information on HI and subsidiaries real property ownership as of March 31, 2018.

PROPERTY DESCRIPTION	DATE ACQUIRED	AREA (SQ. M.)	TYPE
HOUSE OF INVESTMENTS, INC.			
Quezon Avenue	2002	4,604	Industrial
Sta. Cruz, Makati City	2017	5,114	Industrial
EEI CORPORATION			
Talayan, Q.C.	2002	2,700	Warehouse
Itogon, Benguet	1985	688	Residential
Majada, Canlubang, Laguna	1998	29,481	Equipment yard
Golden Haven Memorial - Las Pinas	2003	166	Memorial Lot
Minuyan, <i>Norzagaray</i> , Bulacan	2005	138,216	Agricultural
Minuyan, San Jose del Monte, Bulacan	2005	133,371	Agricultural
San Jose, Sta. Maria, Bulacan	2005	102,633	Industrial
Bauan, Batangas	2012	118,522	Fabrication Shop
EEI CONSTRUCTION AND MARINE, INC.			
San Jose, Sta. Maria, Bulacan	2005	102,633	Industrial
Silang, Cavite	2010	21,197	Fabrication Shop
EEI REALTY CORP. CORPORATION			
Trece Martires, Cavite	1995	594,920	Residential
Calamba, Laguna	1995-96	53,207	Residential
Marikina - Suburbia East	1999	3,135	Residential
Ayala Greenfield	2003	820	Residential
EQUIPMENT ENGINEERS, INC.			
Itogon, Benguet	2006	367	Residential
Irisan, Benguet	2009	3,201	Residential
GULF ASIA INTERNATIONAL CORPORATION			
General Trias, Cavite	1998	259	Residential
EEI POWER CORPORATION			
Tagum City, Davao Del Norte	2013	7,887	Industrial

PROPERTY DESCRIPTION	DATE ACQUIRED	AREA (SQ. M.)	TYPE
MALAYAN EDUCATION SYSTEM, INC.			
Intramuros, Manila	1999	17,997	School campus
Intramuros, Manila	2013	513.5	Vacant lot for expansion
Sen. Gil Puyat Ave., Makati	2001	8,371	School campus
MALAYAN HIGH SCHOOL OF SCIENCE, INC.			
Paco, Manila	2002	3,624	School campus
MALAYAN COLLEGES LAGUNA, INC.			
Cabuyao, Laguna	2010	60,000	School campus
Cabuyao, Laguna	2012	14,640	Vacant lot for expansion
MALAYAN COLLEGES MINDANAO, INC.			
Ma-a, Davao	2015	23,000	Vacant lot for expansion

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

PROPERTY DESCRIPTION	LOCATION	AREA (IN SQM)	LEASE EXPIRATION
HOUSE OF INVESTMENTS			
2-storey building	Paco, Manila	6,432	2016
2-storey building	Paco, Manila	6,147	2016
2-storey building	Marikina	1,650	2020
2-storey building	Commonwealth, QC	2,754	2020
2-storey building	Commonwealth, QC	1,576	2021
1-storey building	Marcos Highway	2,500	2023
2-storey building	Greenhills	2,573	2028
HONDA CARS KALOOKAN, INC.			
3-storey building	EDSA, Caloocan	4,566	2018
1-storey building	Q.C.	3,198	2022

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

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

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

Item 3 – Legal Proceedings

EEI has substantial claims against various parties in connection with completed projects. The majority of these claims came from EEI's various claims for cost of variation orders, time extension, and loss and expense due to prolongation and disturbance costs. Any recoveries from these claims will be reported as income in the year when the recoverability of the claims is determined to be probable.

There are pending legal cases against EEI that are being contested by EEI and its legal counsel. Management and its legal counsel believe that the final resolutions of these cases will not have a material effect on the financial position and results of operations of EEI.

MES is facing a number of labor lawsuits and disputes. There are other suits and claims filed for or against certain subsidiaries. Management believes that these suits and claims will ultimately be settled

in the normal course of operations and will not adversely affect the subsidiaries' financial position and operating results.

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

There were no matters during the Annual Stockholders' Meeting held on 21 July 2017 that required the vote of the Company's stockholders owning more than 2/3 of the outstanding number of shares.

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

CONSOLIDATED RESULTS

Year 2017 vs. Year 2016

INCOME STATEMENT

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

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

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

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

BALANCE SHEET

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

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

Investments in associates and joint ventures increased by 30% due to improved financial performance of ARCC, where EEI has a 49% stake, from net loss in 2016 to net income this year. The full redemption of RRC of its preferred shares resulted to reduced available-for-sale securities. Investment properties dropped significantly due to sale of the Group's property in Batangas. Increase in property

and equipment pertains mainly to construction of a new school building in Mindanao and acquisition of new machinery, tools and construction equipment. Increase in other noncurrent assets pertains primarily to receivable of the Group relative to the sale of its Batangas property.

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

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

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

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

Year 2016 vs. Year 2015

INCOME STATEMENT

For the year ending December 2016, the Group posted a net income after tax of P0.22 billion vis-à-vis the P1.37 billion in 2015. The 84% decline is attributable to the losses incurred by ARCC, an associate of EEI Corporation. EEI's 49% share in the net loss amounted to P1.42 billion as compared to last year's P0.67 billion.

Total revenues decreased by 12%, from P29.09 billion to P25.74 billion. Sales of services decline by 20% due to the completion of the following major projects for the year 2016 such as FDC Misamis 3x135MW Coal Power Plant for NEPC Power Construction Corporation in Misamis Oriental; Slag Flotation Plant for Philippine Associated Smelting and Refinery Corporation in Isabel, Leyte; The New CNS Sumitomo ATM Contract Package 1 and 2 for Sumitomo Corporation; Star Trec Project – Bundle 1B for Pilipinas Shell Petroleum Corporation in Batangas City; Uptown Mall Towers 1, 2, 3 & 4 and BPO Offices for Megaworld Corporation in Taguig City; Segment 9 North Link Road Project Phase 1 for Manila North Tollways Corporation; Rehabilitation Of Condensed Milk Plant and Milk Powdered Plant for Alaska Milk Corporation in San Pedro, Laguna; San Gabriel Unit 70 450MW Combined Cycle Power Plant Project for Siemens Inc. in Santa Rita Batangas; Caticlan Airport Development Design & Build for Interim Runway Extension for Transaire Holdings Corporation in Malay, Aklan. Sale of goods improved by 10% due to an increase in vehicles sold by the car dealerships. Revenues from schools slightly decrease by 2%, from P2.25 billion to P2.20 billion, due to the effects of the K plus 12 program of the Department of Education (DepEd). Interest and discounts dropped by 8% due to lower interest earnings of Zamboanga Industrial Financing Corporation (ZIFC). Income from dividends increased to P0.053 billion from P0.051 billion.

Other Income increase by 21% y-o-y on account of increases in the following: (a) gain from redemption of preferred shares; (b) commission income; and (c) interest income. Equity in net losses of associates increased by P0.63 billion primarily due to provisions for probable losses incurred by ARCC because of project delays in its major project.

General and administrative expenses went up by 17% due to increases in: (a) personnel related expenses of the Group; (b) advertising and promotions related to increase in numbers of vehicle units sold by Car Dealerships; and (c) increase in miscellaneous expenses related to EEI's skills training expenses this year, which was charged to cost of management and technical services last year. Interest and finance charges were higher in 2016 because of additional short term loans availed by the Group to

finance its operating activities. Provision for income tax decreased due to a lower provision by EEI for the year.

BALANCE SHEET

Consolidated total assets stood at P33.69 billion against P34.80 billion last year.

Total current assets decreased by P0.81 billion. Receivables increased from P7.49 billion to P8.0 billion because of substantial increase in retention receivables from EEI. The increase in current and non-current portion of loans receivable is related to ZIFC operations. Costs and estimated earnings in excess of billings on uncompleted contracts went down due to completion of domestic projects of EEI. Increase in Inventories is due to buildup in stock inventory by Honda and Isuzu and in fire and waterproofing materials and petroleum parts by Equipment Engineers. Prepaid expenses and other current assets went up due to reclassification of receivable from a project owner from other noncurrent assets to current assets resulting from the agreement that the receivable will be settled in 2017.

Investments in associates and joint ventures dropped due to impact of EEI share on ARCC's losses. Available for sale securities declined by 17% as RCBC Realty Corporation redeemed its preferred shares. Investment properties decreased due to the sale of land in Baguio by House of Investments and the increase in sale of condominium units and parking slots by EEI. Property and equipment at revalued amount went up due higher appraised value of the Company's Quezon City property and of IPO Group's Mindanao property. Deferred tax assets decreased primarily due to the tax effect of EEI's unrealized foreign currency exchange loss and accrued retirement. Retirement asset increased due to higher contribution made for 2016. Decrease in other noncurrent assets pertains to EEI's reclassification of advances from a customer to current asset.

Consolidated total liabilities decreased from P20.62 billion to P19.08 billion.

Total current liabilities drop by P0.94 billion. Accounts payable and accrued expenses decreased by 8% due to settlement of the Group on its obligations during the year. Billings in excess of costs and estimated earnings on uncompleted contracts went down due to recoupment of down payments from various completed projects. Significant increase in unearned tuition fees is due to effect of Senior High School offering from IPO Group. Income tax payable decreased due to the application of creditable withholding taxes and lower earnings posted by the Group. Customers' deposits dropped by 12% due to the application by EEI of its deposit on the progress billings for various clients other than construction contracts.

Total noncurrent liabilities decreased by P0.60 billion, from P3.78 billion to P3.18 billion. Long-term debt decreased by 18% as the Group settled its maturing obligations with the banks. Accrued retirement liability declined as the Group increased its contribution to the retirement fund. Deferred tax liabilities increased relative to higher valuation on land.

Total consolidated equity rose from P14.18 billion to P14.61 billion, of which P10.05 billion is attributable to the parent company. Decrease in preferred stock reflects regular redemption of the Parent Company's preferred shares. Revaluation increment significantly increased due to higher valuation of land owned by the Group. Net unrealized gains on available-for-sale securities due to the drop in prices of of quoted available-for-sale securities. Remeasurement losses on net retirement liability decline by 91% due to actual return on plan assets, actuarial changes arising from changes in financial and geographical assumptions, and experience adjustments. Change in cumulative translation adjustment represents exchange differences arising from the translation of financial statements of the foreign subsidiary, EEI BVI, whose functional currency is the United States dollar and foreign associate.

Total consolidated retained earnings increased from P7.19 billion to P7.53 billion.

Year 2015 vs. Year 2014

INCOME STATEMENT

For the year ending December 2015, the Group posted a net income after tax of P1.37 billion vis-à-vis P1.96 billion in 2014. The decline of 30% is attributable to losses incurred by ARCC, an associate of EEI Group, in two of its projects, the Naptha and Aromatics (Saipem) and the Petro-Rabigh II Mitsubishi Hitachi Power Systems, Ltd. The 49% share of EEI in the net loss amounted to P673.7 million as compared to the reported share in net earnings of P442.1 million in 2014.

Total revenues increased by 18%, from P24.72 billion to P29.10 billion. Sales of services improved by 11%. This is due to increase in EEI's on-going domestic projects. Increase in sale of goods significantly increased by 46%. This is primarily attributable to higher number of sales of vehicles against last year. Revenues from schools went up by 8%, from P2.08 billion to P2.25 billion. This is a combined result of increase in number of students with slight increase in tuition fees. Interest and discounts slightly increase by 1%, representing interest earnings of Zamboanga Industrial Financing Corporation (ZIFC). Income from dividends went up from P0.035 billion to P0.051 billion.

Other Income increase by 16% against last year due to increase in dealers income attributed to higher number of vehicle units sold, gain on redemption of preferred shares and insurance renewal income. This year includes reversal of long outstanding payables amounting to P56.14 million. Equity in net earnings of associates significantly decrease by P1.3 billion primarily due to losses incurred by ARCC in two of its projects, the Naptha and Aromatics (Saipem) and the Petro-Rabigh II Mitsubishi Hitachi Power Systems, Ltd.

General and administrative expenses increased by 8% as the Group increase its repairs of office equipment and software maintenance, and increase in depreciation to meet its operational needs of the Group. Interest and finance charges are higher this year because of additional loans availed by the Group to finance its operation and capital expenditures.

BALANCE SHEET

Consolidated total assets stood at P34.80 billion against P28.81 billion last year.

Total current assets increased by 20%. Cash and cash equivalents are higher by 8% or P0.178 billion from last year, from P2.16 billion to P2.34 billion. Receivables are up from P6.83 billion to P7.49 billion because of heavy construction activity from EEI, increase in sales from schools and the car dealerships. Costs and estimated earnings in excess of billings on uncompleted contracts are significantly higher due to cost incurrence of major on-going domestic projects of EEI. Inventories increased in relation to higher volume of vehicle units sold as of year end by the car dealership. Receivable from related parties pertains mainly to advances extended to an affiliate and receivables of EEI for manpower services. Prepaid expenses and other current assets increased primarily due to prepaid taxes from EEI attributable to the increase in progress billings for the period. Financial asset at FVPL pertains to the schools' investment in UITFs.

Investments in associates and joint ventures increased due to additional investments of Parent Company in Petroenergy (PERC) and investments of EEI Power on Petro Wind Energy Inc. and Petro Green Energy Corporation. Increase in available for sale securities is mainly attributable to investment of EEIPC for a 10% equity share in PetroGreen Energy Corporation (PGEC) amounting to P237.3 million with partial offset of P14.0 million owing to the decrease in the authorized capital stock of Brightnote Assets Corporation and the redemption of the Parent's investment in preferred shares from RCBC Realty Corporation. Property and equipment went up due to EEI's acquisition of various machinery, tools and construction equipment, transportation and service equipment, furniture and fixtures million, and leasehold improvements as well as the gym renovation and the research and admissions building by iPeople group. Other noncurrent assets went down due to payment of account from EEI Retirement Fund Inc. amounting P117.0 million.

Consolidated total liabilities increased from P16.07 billion to P20.62 billion.

Total current liabilities rose by P3.85 billion. Loans payable increase due to loan availment made by the Group for the year. Accounts payable and accrued expenses increased by 20% primarily because of

higher project costs and heightened construction activity in EEI. Billings in excess of costs and estimated earnings on uncompleted contracts also increased due contract deposits from newly awarded projects and unrecouped down payments from various on-going domestic projects. Increase in unearned tuition fees is a timing factor as enrolment for the next academic quarter started in December 2015. Income tax payable decreased because of lower taxable income from EEI's foreign subsidiary. Due to related parties pertains mainly to obligations of the Group to its affiliates. Customers' deposits dropped significantly by 59% due to applications of advance payments to progress billings of EEI.

Total noncurrent liabilities increased by P0.71 billion, from P3.07 billion to P3.78 billion. Long-term debt relatively increased as EEI took out an additional loan to finance its new projects. Lease liability which pertains to EEI's obligation to RCBC Leasing and Finance Corporation relative to purchase of various machinery and construction equipment under financial lease, was fully paid at the end of the year. Accrued retirement liability increased due to unfunded obligation of the Group to its employees' retirement fund, wherein, the liability of the Group exceeds the plan assets of the fund. Deferred tax liabilities increased relative to higher valuation on the value of the land.

Total consolidated equity rose from P12.75 billion to P14.18 billion, of which P9.43 billion is attributable to Parent Company. Decrease in preferred stock reflects regular redemption of the Parent Company's preferred shares. Equity reserve on acquisition of noncontrolling interest represents difference in par value and acquisition cost of additional EEI shares purchased by the Parent Company. Revaluation increment significantly increased due to higher valuation of land accounts. Net unrealized gains on available-for-sale securities decrease due to the decline in fair market value of quoted available-for-sale securities. Decrease in remeasurement losses on net retirement liability pertains to the actual return on plan assets, actuarial changes arising from changes in financial and geographical assumptions, and experience adjustments. Change in cumulative translation adjustment represents exchange differences arising from the translation of financial statements of the foreign subsidiary, EEI BVI, whose functional currency is the United States dollar and foreign associate.

Total consolidated retained earnings increased from P6.23 billion to P7.19 billion.

Financial Ratios

Below are the financial ratios that are relevant to the Group's for the years ended December 31, 2017 and 2016:

Financial ratios		2017	2016
Current ratio <i>Indicates the Group's ability to pay short-term obligation</i>	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	0.98:1	1.10:1
Solvency Ratio <i>Shows how likely a company will be to continue meeting its debt obligations</i>	$\frac{\text{Net Income+Depreciation}}{\text{Total liabilities}}$	0.11:1	0.06:1
Debt-to-equity ratio <i>Measures the Group's overall leverage</i>	$\frac{\text{Total Debt}}{\text{Total Equity}}$	1.28:1	1.31:1
Asset to Equity Ratio <i>Measures the group's leverage and long-term solvency</i>	$\frac{\text{Total Assets}}{\text{Total Equity}}$	2.28:1	2.31:1

Financial ratios		2017	2016
Interest Rate Coverage	$\frac{\text{EBIT}^*}{\text{Interest Expense}}$	7.73:1	2.96:1
<i>Shows how easily a company can pay interest on outstanding debt</i>			
Return on Assets	$\frac{\text{Net Income}}{\text{Average Total Assets}}$	4.12%	0.64%
<i>Measure the ability to utilize the Group's assets to create profits</i>			
Return on Equity	$\frac{\text{Net Income}}{\text{Average Total Equity}}$	9.45%	1.52%
<i>Reflects how much the Group's has earned on the funds invested by the stockholders</i>			

**Earnings before interest and taxes*

Current ratio decreased from 1:10:1 in 2016 to 0.98:1 in 2017. This is attributable to the increased borrowings of the Group to finance its new projects and capital expenditures.

Solvency ratio increased from 0.06:1 in 2016 to 0.11:1 in 2017 due to improved performance of the construction and car dealerships segments.

Debt-to-Equity ratio measures the Group's leverage. It improved from 1.31 to 1.28 this year due to higher earnings posted by the construction segment.

Asset-to-Equity ratio decreased from 2.31:1 in 2016 to 2.28:1 in 2017 as retained earnings increased due to strong income from construction and car dealerships segments.

Interest Rate Coverage ratio shows how easily a company can pay interest on outstanding debt. It is higher at 7.73 times compared to last year due to increased profitability from the construction and car dealerships segments.

Return on Assets measures the ability to utilize the Group's assets to create profits. The Group's return on assets for the year 2017 increased to 4.12% from 0.64% in 2016 due to higher net income brought by EEI for the year.

Return on Average Stockholders' Equity (ROAE) measures the profitability of the Company in relation to the average stockholders' equity. The ROAE for 2017 improved to 9.45% from 1.52% in 2016 attributable to higher net income from the construction segment.

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

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

The registrant does not have, nor anticipates having, within the next 12 months, any cash flow or liquidity problems.

The registrant is not in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments.

There are no significant amounts of the registrant's trade payables that have not been paid within the stated trade terms.

The Company depends on cash flow from operations and dividends for liquidity

- (ii) *There are no events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation*
- (iii) *There are no off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.*
- (iv) *Below are the material commitments for capital expenditures, the general purpose of such commitments, and the expected sources of funds for such expenditures.*

iPeople, inc's subsidiary, Malayan Education System, Inc. (Operating under the name of Mapúa University) is constructing of a new campus on a 3-hectare property in Davao through its subsidiary, Malayan Colleges Mindanao (A Mapúa School), Inc. The project is estimated to cost around P2 billion and will be funded partially by debt. School opening is in August 2018.

Other than the above-mentioned construction, there is no material commitment for capital expenditure;

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

The K plus 12 program of the DepEd calls for the two extra years of basic education, which started in 2016. There will be two academic years where there will be no students moving on to tertiary studies in starting 2016. This is expected to severely impact the profit and cash flow of both for-profit and non-profit tertiary education institutions during the transition period.

To address the effects during the transition period, Mapúa University and Malayan Colleges Laguna, Inc. offered Senior High School starting Q1 2016-17. Mapúa University secured approval from the Department of Education to offer Senior High School at the Makati campus starting AY 2018-2019. Also, as a strategic response to the K Plus 12 developments, iPeople is actively seeking opportunities to expand its current education portfolio.

Other than the K plus 12, there is no known trend, event or uncertainty that have had or that are reasonably expected to have a material impact on the net sales or revenues or income of the Group from continuing operations;

- (vi) *There are no significant elements of income or loss that did not arise from the registrant's continuing operations.*

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

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

The common stock (PSE: HI) is traded on the Philippine Stock Exchange. The market price of HI's common stock as of June 7, 2018 (latest practicable trading date) is at P6.70 for high and for low.

PERIOD	STOCK PRICE	
	HIGH	LOW
2018 First Quarter	7.82	6.90
2017 Fourth Quarter	8.00	6.25
2017 Third Quarter	8.68	7.40
2017 Second Quarter	8.40	6.12
2017 First Quarter	6.68	5.76
2016 Fourth Quarter	6.00	5.29
2016 Third Quarter	6.88	5.93

PERIOD	STOCK PRICE	
	HIGH	LOW
2016 Second Quarter	7.50	6.01
2016 First Quarter	6.24	5.18

Stockholders

The top 20 owners of common stock as of April 30, 2018 are as follows:

STOCKHOLDER	COMMON SHARES	% OF TOTAL
Pan Malayan Management & Investment Corporation	294,759,570	47.83%
PCD Nominee Corporation	273,532,527	44.38%
A.T. Yuchengco, Inc.	7,036,070	1.14%
GDSK Development Corporation	5,064,840	0.82%
Go Soc & Sons And Sy Gui Huat, Inc.	4,019,890	0.65%
Y Realty Corporation	3,545,890	0.58%
Malayan Securities Corporation	2,790,000	0.45%
Seafront Resources Corp.	2,484,000	0.40%
Meer, Alberto M.	2,217,030	0.36%
RCBC Ta#76-299-7	1,791,000	0.29%
Enrique T. Yuchengco, Inc.	1,211,360	0.20%
Yu, John Peter C. Yu &/Or Juan G.	1,080,000	0.18%
Cheng, Berck Y.	850,000	0.14%
Villonco, Vicente S.	803,800	0.13%
RP Land Development Corp.	726,720	0.12%
Lim, Tek Hui	627,000	0.10%
EBC Securities Corporation	485,320	0.08%
Dee, Helen Y. Itf: Michelle	482,240	0.08%
Bardey, John C.	476,230	0.08%
Wilson, Cathleen Ramona	420,170	0.07%
SUB TOTAL	604,403,657	98.08%
Others	11,292,457	0.31%
TOTAL	615,996,114	100.00%

HI has a total of 391 common shareholders owning a total of 615,996,114 shares as of April 30, 2018.

Top 20 owners of preferred stock as of April 30, 2018.

STOCKHOLDER	PREFERRED SHARES	% OF TOTAL
Yuchengco, Alfonso T.	346,627,046	54.64%
Pan Malayan Management & Investment Corporation	237,974,016	37.51%
Alfonso T. Yuchengco, Inc.	16,169,010	2.55%
Enrique T. Yuchengco, Inc.	15,270,203	2.41%
Gomez, Eriberto H.	8,900,190	1.40%
Siguion-Reyna, Leonardo	1,763,437	0.28%
Alvendia Jr., Carmelino P.	1,218,851	0.19%
RP Land Development Corporation	1,105,624	0.17%
Rosario, Rodolfo P. Del	678,613	0.11%
Tantuco, Eloisa G.	507,857	0.08%
Wilson, Isabel Caro	504,342	0.08%
JAKA Investment Corporation	272,934	0.04%
Padilla, Alexander A.	219,728	0.03%
Padilla, Felipe A.	207,461	0.03%
Padilla, Francisco A.	207,461	0.03%
Padilla, Mercedes A.	207,461	0.03%
Villonco, Romeo	145,841	0.02%

STOCKHOLDER	PREFERRED SHARES	% OF TOTAL
Chan, Frederick	141,094	0.02%
Galvez, Maria Rosario P.	138,307	0.02%
Padilla Jr., Ambrosio	138,307	0.02%
SUB TOTAL	632,397,783	99.69%
Others	1,997,489	0.31%
TOTAL	634,395,272	100.00%

HI has a total of 48 preferred shareholders owning a total of 634,395,272 shares as of April 30, 2018.

Dividends

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

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

The company has declared cash dividends as follows:

YEAR	DIVIDEND PER COMMON SHARE	DIVIDEND PER PREFERRED SHARE	TOTAL AMOUNT
Q1 2017	N/A	P0.00415	P2.92 MM
Q4 2016	N/A	P0.00311	P2.48 MM
Q3 2016	N/A	P0.00342	P2.53 MM
Q2 2016	P0.065	P0.02059	P55.90 MM
Q1 2016	N/A	P0.00355	P2.76 MM
Q4 2015	N/A	P0.00370	P2.95 MM
Q3 2015	N/A	P0.00386	P3.16 MM
Q2 2015	P0.065	P0.02128	P57.88 MM
Q1 2015	N/A	P0.00347	P2.98 MM
Q4 2014	N/A	P0.00329	P2.90 MM
Q2 2014	P0.065	P0.02061	P59.17 MM
Q1 2014	N/A	P0.00305	P2.90 MM

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

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

There was no sale of unregistered securities and no recent issuance of securities in 2017.

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

The equity capital structure of the firm as of April 30, 2018 is shown below:

	Common Stock	Preferred Stock
Authorized Capital	1,250,000,000	2,500,000,000
Issued	616,296,114	634,395,272
Paid Up Capital	P924,444,171	P253,758,109
Par Value	P1.50	P0.40

Features	Common Stock	Preferred Stock
Dividends		
<i>General</i>	Dividends shall be declared only from the surplus profits and shall be payable at such time and in such manner and in such amounts as the Board of Directors shall determine. No dividends shall be declared which will impair the capital of the company.	
<i>Other Features</i>	Not Applicable	<ul style="list-style-type: none"> • Entitled to dividends at the rate of average 91-day T-Bill plus two percent; • Fully participating as to distribution of dividends
<i>Voting</i>	All common and preferred shareholders shall have voting rights	
<i>Liquidation Rights</i>	Not Applicable	All preferred shareholders shall have preferences as to assets upon dissolution of the Parent Company over common shareholders.
<i>Conversion</i>	Not Applicable	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 Php1.5 per common share subject to adjustments
<i>Redemption and Sinking Fund Provision</i>	Not Applicable	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 HI shall provide for a sinking fund
<i>Pre-emptive Rights</i>	All stockholders shall have no pre-emptive rights with respect to any shares of any other class or series of the present capital or on future or subsequent increases in capital	

Corporate Governance

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

In compliance with SEC Memorandum Circular No. 6 dated June 22, 2009 as well as all relevant Philippine Stock Exchange Circulars on Corporate Governance has been monitored. The Company submitted its revised corporate governance manual and complied with the leading practices and principles on good corporate governance. The Company also complied with the appropriate self-rating assessment and performance evaluation to determine and measure the compliance with the Manual.

In compliance with SEC Memorandum Circular No. 19 dated November 22, 2016, the Company will submit a New Manual on Corporate Governance on or before May 30, 2017.

In compliance with SEC Memorandum No. 20 dated December 8, 2016, the Company will submit the Annual Corporate Governance Report on or before May 30, 2017.

In compliance with SEC Memorandum No. 4 dated March 9, 2017, all Independent Directors are within the maximum cumulative terms limit of none (9) years from the reckoning year of 2012.

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

The Company has exerted best efforts to comply with the provisions in its Manual on Corporate Governance. To ensure that leading practices on corporate governance are fully observed, the following steps have been undertaken:

- 1) Attendance of each Director on all the Board of Directors' Meeting are monitored and recorded.

- 2) All financial reports were reviewed by the Audit Committee before being finalized and thereafter endorsed to the Board of Directors for approval and submission to pertinent offices.
- 3) Other systems and measures have been undertaken such as observance of the Code of Ethics, Financial and Manpower Audit, providing seminars and conferences to comply with all relevant laws, regulations and codes of business practices. The Company maintains its system of check and balance.

(g) Deviation from the Manual on Corporate Governance

There is no known deviation from the Manual on Corporate Governance.

(h) Plans to Improve Corporate Governance

In order to improve Company's adherence to the leading practices in good corporate governance, the Company's Directors and Top Management attends the annual seminar on Corporate Governance conducted by an entity accredited with the Securities and Exchange Commission. Further, the Company continuously monitors all relevant PSE and SEC Circulars on Corporate Governance that maybe used to improve its Manual on Corporate Governance.

ANNEX 1

CERTIFICATION OF INDEPENDENT DIRECTOR

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

1. I am a nominee for independent director of **HOUSE OF INVESTMENTS, INC.** and have been its independent director since December 2016.
2. I am affiliated with the following companies or organizations:

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

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **HOUSE OF INVESTMENTS, INC.**, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations.
4. I am related to the following director/officer of **HOUSE OF INVESTMENTS, INC.** other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code:

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

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
6. I confirm that I am not engaged in government service or affiliated with any government agency or government owned and controlled corporation.

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


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

Done this 08 MAY 2018 day of May 2018 at Makati City, Metro Manila, Philippines.


JOHN MARK S. FRONDOSO
Affiant

SUBSCRIBED AND SWORN to before me this 08 MAY 2018 day of May 2018 at MAKATI CITY, affiant personally appeared before me and exhibited to me his Philippine Passport No. EC1318581, issued at DFA NCR East, and valid until June 3, 2019.

Doc. No. 97 ;
Page No. 20 ;
Book No. 4 ;
Series of 2018.


ATTY. RAYMOND A. RAMOS
COMMISSION NO. M-277
NOTARY PUBLIC FOR MAKATI CITY
UNTIL DECEMBER 31, 2018
NO. 151P, RIZAL EXTN. COR. TANGUILE ST
COMEMBO, MAKATI CITY
SC Roll No. 6217904-26-2013
IBP NO. 02293701-04-2018P Makati City
"TR. NO. MKT-661-434, 01-02-2018 MAKATI CITY"
MCLE Compliance No. V-069931410-31-2014

ANNEX 2

CERTIFICATION OF INDEPENDENT DIRECTOR

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

- 1) I am a nominee for independent director of **HOUSE OF INVESTMENTS, INC.** and have been its independent director since July 2016.
- 2) I am affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
Manila Consulting & Management Co., Inc.	Chairman and CEO	1992 - Present
Catanauan Resources & Development Corporation	Chairman and Owner	1999 - Present
L'Opera Group of Restaurants	Group Treasurer	2004 - Present
National Reinsurance Corporation of the Philippines	Independent Director and Chairman of the Audit Committee	2011 - Present
National Life Insurance Company of the Philippines	Member/Chairman of the Interim Governance Board	2014/2016 - Present
E&F Holdings, Inc.	Chairman and Owner	1997 - Present

- 3) I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **HOUSE OF INVESTMENTS, INC.**, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations and other SEC issuances.
- 4) I am not related to any director, officer, or substantial shareholder of **HOUSE OF INVESTMENTS, INC.** or any of its subsidiaries and affiliates.
- 5) To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
- 6) I am not employed nor affiliated with any government agency or government owned and controlled corporation ("GOCC").
- 7) I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code.
- 8) I shall inform the Corporate Secretary of **HOUSE OF INVESTMENTS, INC.** of any changes in the abovementioned information within five days from its occurrence.


Done this ____ day of April 2018 at Makati City, Metro Manila, Philippines.


ERMILANDO D. NAPA
 Affiant

08 MAY 2018

SUBSCRIBED AND SWORN to before me this ____ day of April 2018 at
_____, affiant personally appeared before me and exhibited to me his Philippine
Passport No. BC3383138, issued at DFA Manila, and valid until February 04, 2020.

Doc. No. 92
Page No. 20
Book No. 38
Series of 2018.


ATTY. RAYMOND N. RAMOS
COMMISSIONER, M-277
NOTARY PUBLIC FOR MAKATI CITY
UNTIL DECEMBER 31, 2016
NO. 15 J.P. RIZAL BLDG. COR. TANGUILE ST
COMENCHO, MAKATI CITY
SC REG No. 6317904-26-2013
JUP No. 02201701-64-2011 Makati City
MOLÉ Compliance No. V-00051010-21-0011

ANNEX 3

CERTIFICATE OF INDEPENDENT DIRECTOR

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

1. I am a nominee for independent director of House of Investments and have been its independent director since June 5, 2000.
2. I am affiliated with the following companies or organizations:

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
RFO Center for Public Finance and REGIONAL Economic Cooperation	Chairman of the Board of Advisors	2006
Philippine Veterans Bank	Chairman and CEO	2013
MoneyTree Publishing Inc.	Chairman	2007
Stradcom Corporation	Chairman	2003
Tollways Association of the Philippines	Chairman	2003
Public Finance Institute of the Philippine	Chairman	2007
Interinvest Project Inc. (IPI)	Chairman	2013
British Alumni Association	Chairman	2007
AIM-AIM Conference Center Manila (ACCM)	Chairman	
Libera International Advisory Board (London)	Chairman	2013
Foundation for Economic Freedom	Chairman	2012
Philam Fund Inc., Philam Bond Fund Inc., Philam Strategic Growth Inc., Philam Managed Income Fund Inc., PAMI Global Bond Fund, Inc., Philam Dollar Bond Fund Inc.	Chairman	2014
Governance Commission for Government Owned or Controlled Corporations (GCG) Multi-Sectoral Governance Council (MSGC)	Chairman	2014
Center for Philippine Futuristics Studies and Management Inc.	Chairman	2014
Agus 3 Hydro Power Corporation	Vice-Chairman	2007

La Costa Development	Vice-Chairman	2007
Makati Business Club	Vice-Chairman	2006
Centennial Group (Washington), D.C.	Founding Director	1999
Emerging Markets Forum	Founding Director	2005
Pacific Gaming Investments Pte. Ltd.	Independent Director	2010
Alaska Milk Corp.	Independent Director	1999
Bankard, Inc.	Independent Director	2006
EEL Corporation	Independent Director	2005
House of Investments	Independent Director	2000
Beneficial Life Insurance Co., Inc.	Independent Director	2008
Robinsons Land Corporation	Independent Director	2003
SPC Power Corporation	Independent Director	2002
DFNN Inc.	Independent Director	1999
PHINMA Corporation	Independent Director	2009
Investment & Capital Corporation of the Philippines (ICCP)	Independent Director	2011
Banker's Association of the Philippines	Director	2016
Global Reporting Initiative (GRI) - Amstrerdam	Director	2013
A Life for Others Foundation	Founding Trustee	2010
Health Justice Philippines	Member, Advisory Council	2010
Philippine Business for the Environment (PBE)	Board Member	2015
The Conference Board (New York)	Member, Global Advisory Board	2004
AIM-Gov. Jose B. Fernandez Jr. Center for Banking and Finance	Member, Board of Advisers	2016
Argosy Fund, Inc.	Member, Board of Advisers	1998
Corporate Governance Institute of the Philippines	Member, Board of Advisers	2004
AES Corporation (Philippines)	Member, Board of Advisers	2008
Teach for the Philippines	Members, Board of Advisers	2001
Philippine Cancer Society	Member, Board of Advisers	1998
Ramos Peace and Development Foundation	Member, Board of Trustees	1999
Children's Hour	Member, Board of Trustees	
SGV Foundation	Member, Board of Trustees	1999
Trilateral Commission	Member, Asia Pacific Group Representing ASEAN	2000
Renewable Energy Asia Fund (Berkeley Energy, UK)	Strategic Advisor	2008

Philippine Quality & Productivity Movement Inc.	Member, Board of Advisers	2012
CIMB Group International Advisory Panel	Member	2013

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

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of House of Investments, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC Issuances.
4. I am not related to any director/officer/substantial shareholder of House of Investments as provided under Rule 38.2.3 of the Securities Regulation Code. (where applicable)

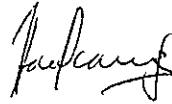
NAME OF DIRECTOR/OFFICER/SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP
N.A.	N.A.	N.A.

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

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

6. (For those in government service/affiliated with a government agency or GOCC) I have the required written permission or consent from House of Investments to be an independent director in House of Investments, pursuant to Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Services Rules.
7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC Issuances.
8. I shall inform the Corporate Secretary of House of Investments of any changes in the abovementioned information within five days from its occurrence.


Done, this 20th day of April 2018, at Makati City



ROBERTO F. DE OCAMPO
Affiant

SUBSCRIBED AND SWORN to before me this ~~20th~~ ^{20th} day of April 2018 at Makati City, affiant personally appeared before me and exhibited to me his passport with no. EC6721113 valid until 09 February 2021 Issued at DFA NR Central on 10 February 2016.

Doc. No. 90 :
Page No. 19 :
Book No. 45 :
Series of 2018:



ATTY. RAYMOND A. RAMOS
COMMISSION NO. M-277
NOTARY PUBLIC FOR MAKATI CITY
UNTIL DECEMBER 31, 2018
NO. 15 J.P. RIZAL, DEXIN. COR. TANGUILEST
CORRAL, MAKATI CITY
SC (I) No. 6217904-26-2013
I.P. No. 0228270104-0118 Makati City
M.C.E. Compliance No. V-000514/18-01-0118

ANNEX 4

CERTIFICATION OF INDEPENDENT DIRECTOR

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

1. I am a nominee for Independent director of **HOUSE OF INVESTMENTS, INC.** and have been its independent director since 2006.
2. I am affiliated with the following companies or organizations:

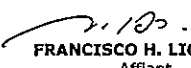
Company/Organization	Position/Relationship	Period of Service
Philippine Hoteliers Inc.	Director	1985 to Present
Eltrio Food Corporation	Director and Corp. Secretary	1995 to Present
JG Food Ventures	Stockholder	1996 to Present
Lucky Trin Food Ventures	Stockholder	1997 to Present
Innovative Property Solutions,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

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **HOUSE OF INVESTMENTS, INC.**, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations and other SEC issuances.
4. I am related to the following director/officer/substantial shareholder of **HOUSE OF INVESTMENTS, INC.** and its subsidiaries and affiliates other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code:

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

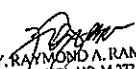
5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
6. I confirm that I am not engaged in government service or affiliated with any government agency or government owned and controlled corporation.
7. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
8. I shall inform the Corporate Secretary of **HOUSE OF INVESTMENTS, INC.** of any changes in the abovementioned information within five days from its occurrence.

Done this 08 MAY 2018 day of April 2018, at Makati City, Metro Manila, Philippines.


FRANCISCO H. LICUANAN III
Affiant

SUBSCRIBED AND SWORN to before me this 08 MAY 2018 day of April 2018 at Makati City, affiant personally appeared before me and exhibited to me his Philippine Passport No. _____, issued at _____, valid until _____.

Doc. No. 91;
Page No. 20;
Book No. 5;
Series of 2017.


ATTY. RAYMOND A. RAMOS
COMMISSION NO. M-277
NOTARY PUBLIC FOR MAKATI CITY
UNTIL DECEMBER 31, 2018
NO. 15 J.P. RIZAL, EXTN. COR. TANGUILEST
COMENGA, MAKATI CITY
SC Reg. No. 921784-00-2013
BIR No. 0720010104-10110104 City
PTR No. MAKI-06180001-01-00-01 MAKATI CITY
MCLE Compliance No. V-00045141041011

ANNEX 5

CERTIFICATION OF INDEPENDENT DIRECTOR

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

1. I am a nominee for independent director of **HOUSE OF INVESTMENTS, INC.** and have been its independent director since 2014.
2. I am affiliated with the following companies or organizations :

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
Alaska Milk Corporation	Director	May 2007 to present
Allamanda Mgt. Corp.	Director	Jan. 2000 to present
Coca-Cola FEMSA Philippines	Advisory Board	Sept. 2013 to present
Dualtech Training Center Foundation, Inc.	Chairman, Board of Trustee	September 2007 - Present
East-West Seeds International Ltd.	Member, Supervisory Board	2010 - Present
East West Seeds Corporation	Member, Advisory Board	2008 - Present
First Philippine Holdings, Inc. (FPHC)	Director	June 2009 - Present
Marsman-Drysdale Group	Consultant	Sept. 2007 to present
Mitsubishi Motor Philippines Corp.	Consultant	Jan. 2015 to present
Philippine Investment Management (PHINMA)	Director	Aug. 2013 to present
Rizal Commercial Banking Corporation	Independent Director	November 2016 - Present
St. Luke's Medical Center	Trustee	Aug. 2005 to present
Sun Life Grepa Financial, Inc.	Director	Oct. 2006 to present

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

4. I am related to the following director/officer/substantial shareholder of (covered company and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code. (where applicable)

NAME OF DIRECTOR/OFFICER SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP
Milagros L. Santos - 50%	Allamanda Mgt. Corp.	Spouse
Aileen S. Lamasuta - 50%	Allamanda Mgt. Corp.	Daughter


- To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
- I confirm that I am not engaged in government service or affiliated with any government agency or government owned and controlled corporation.
- I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
- I shall inform the Corporate Secretary of **HOUSE OF INVESTMENTS, INC.** of any changes in the abovementioned information within five days from its occurrence.

Done, this 08 MAY 2018 day of MAKATI CITY, City.


JUAN B. SANTOS
 Affiant

SUBSCRIBED AND SWORN to before me this 08 MAY 2018 day of MAKATI CITY at MAKATI CITY, affiant personally appeared before me and exhibited to me his Passport No. P4425820A issued at Manila, Philippines on September 19, 2017.

Doc. No. 37;
 Page No. 14;
 Book No. SL;
 Series of 2018.


 ATTY. RAYMONDO A. RAMOS
 COMMISSION NO. M-277
 NOTARY PUBLIC FOR MAKATI CITY
 UNTIL DECEMBER 31, 2018
 NO. 15 J.P. RIZAL BKTN. COIL TANGUL EST
 COMENRQ, MAKATI CITY
 SEC. No. 0217904-06-2013
 1111 NO. 02285701 Makati City
 PTA No. MAKI-0018946, 111119904-06-2013
 MCI.E Compliance No. V-000031-1111-1111

ANNEX 6



18 May 2018

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

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

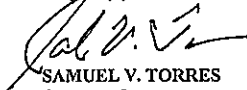
Re: **SEC Form 20-IS of House of Investments, Inc. (SEC Reg. No. 15393)**

Gentlemen:

In compliance with the requirements of the Securities Regulation Code relative to the filing of SEC Form 20-IS of the House of Investments, Inc. (the "Company"), we hereby certify that none of the Company's incumbent directors and executive officers who may be elected and appointed during the Annual Stockholders' and Organizational Meetings to be held on 20 July 2018 are government employees.

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

Very truly yours,



SAMUEL V. TORRES
Corporate Secretary



HI

HOUSE OF INVESTMENTS, INC.
A YGC Member

ANNEX "A"

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

**Consolidated Financial Statements
December 31, 2017 and 2016**

and

Report of Independent Auditors

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

1	5	3	9	3						
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COMPANY NAME

H	O	U	S	E		O	F		I	N	V	E	S	T	M	E	N	T	S	,		I	N	C	.		A	N	D	
	S	U	B	S	I	D	I	A	R	I	E	S																		

PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

3	r	d		F	l	o	o	r	,		G	r	e	p	a	l	i	f	e		B	u	i	l	d	i	n	g	,	
	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					

Form Type

1	7	-	A
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Department requiring the report

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Secondary License Type, If Applicable

--	--	--	--

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
N/A	815-9636 to 38	N/A
No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
394	July 21	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Maria Teresa T. Bautista	mtbautista@hoi.com.ph	815-9636	N/A

CONTACT PERSON'S ADDRESS

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.



HI

HOUSE OF INVESTMENTS, INC.

A YGC Member

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

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS


The management of House of Investments, Inc. and Subsidiaries is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2017, 2016 and 2015, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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


HELEN Y. DEE
Chairman of the Board



MEDDEL C. NERA
President and Chief Executive Officer


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

SUBSCRIBED AND SWORN TO before me this day of 6 APR 2018 in the City of Makati Affiant Exhibited his/her Community Tax Cert No. _____ Subject on _____ Issued at _____

Signed this 6th day of April, 2018

JOL NO. 316
PAGE NO. 05
BOOK NO. 07
SERIES OF 2018


ATTY. RAYMOND A. RAMOS
COMMISSION NO. M-277
NOTARY PUBLIC FOR MAKATI CITY
UNTIL DECEMBER 31, 2018
NO. 15 J.P. RIZAL EXTN. COR. TANGUILE ST
COMEN/30, MAKATI CITY
SC Roll No. 62179/01-26-2013
IDP NO. 022957/01-04-2018/Posig City
PTR NO MCT-0614630, 01-03-2018/MAKATI CITY
MCLC Compliance No. V-0604514-10-31-2014



SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
House of Investments, Inc.
3rd Floor, Grepalife Building
219 Sen. Gil J. Puyat Avenue
Makati City, Metro Manila

Opinion

We have audited the consolidated financial statements of House of Investments, Inc. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2017 and 2016, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2017 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

Key Audit Matters

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



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

Estimation of cost to complete construction contracts

The Group is mainly in the business of construction and regularly engages in projects on electro-mechanical works, production facilities, buildings and infrastructure. This requires the Group to estimate cost to complete the construction contracts that will serve as the basis for recognizing cost of construction contracts. We consider the estimation process as a key audit matter because it is complex and requires the technical expertise of the Group's cost engineers, particularly with respect to the determination of the quantity of the inputs such as materials, labor and equipment needed to complete the construction.

The Group's disclosures about construction cost are included in Notes 5 and 26 to the consolidated financial statements.

Audit response

We considered the competence, capabilities and objectivity of the Group's cost engineers by referring to their qualifications, experience and reporting responsibilities. We conducted ocular inspections on selected sample projects and discussed the status of the projects under construction with the Group's engineers. We inspected the related project documentation and inquired about the significant deviations from the targeted completion. For selected completed projects, we compared actual cost incurred against the estimated cost to complete the construction contracts.

Accounting for investment in Al-Rushaid Construction Company Ltd.

The Group owns 49% equity interest in Al-Rushaid Construction Company Ltd. (ARCC), a company incorporated in the Kingdom of Saudi Arabia and an associate engaged in the construction business. The investment in this associate is accounted for under the equity method. As of December 31, 2017, ARCC recognized deferred tax asset on net operating loss carryover of P443.3 million. We consider the accounting for the results of and investment in ARCC as a key audit matter due to the Group's share in ARCC's net earnings and the carrying value of the investment. In addition, management's assessment process on the recoverability of the tax loss is based on assumptions, which are affected by expected future market or economic conditions.

The Group's disclosures about investment in ARCC are included in Note 13 to the consolidated financial statements.



Audit response

We sent instructions to ARCC's statutory auditors to perform an audit on the relevant financial information of ARCC for the purpose of the consolidated financial statements of the Group, detailing their scope of work and reporting requirements. We obtained an understanding of the statutory auditor's key audit areas and their planned audit procedures. We also reviewed their working papers and obtained relevant conclusion statements related to their audit procedures. We obtained the Group's legal study on the claims made by ARCC to recover from the contractor of a certain project in which significant losses were recorded and examined the signed contracts, demand letters and other documentations in support of the claims. Furthermore, we also evaluated management's assumptions and inquired with the Group's management on the basis of the projections. We compared key assumptions such as revenue growth rate and gross margin rate against historical performance.

Valuation of Land

The Group accounts for its land, where the school buildings and other facilities are located, using the revaluation model. As of December 31, 2017, the carrying value of the Group's land amounted to ₱6,312.5 million, representing 17% of the Group's total assets. In addition, the Group recognized a revaluation gain of ₱347.5 million in other comprehensive income for the year ended December 31, 2017. The valuation of the land requires the assistance of an external appraiser whose calculations involve certain assumptions, such as sales price of similar properties and adjustments to sales price based on internal and external factors. This matter is significant to our audit because it involves significant judgment and estimates.

The Group's disclosures about land are included in Notes 5 and 14 to the consolidated financial statements.

Audit response

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

Recoverability of Goodwill of Malayan Education System, Inc. (formerly Malayan Colleges, Inc.)

Under PFRSs, the Group is required to annually test the amount of goodwill for impairment. As of December 31, 2017, the Group's goodwill attributable to the acquisition of Malayan Education System, Inc. (formerly Malayan Colleges, Inc.) amounted to ₱137.9 million, which is considered significant to the consolidated financial statements. In addition, management's assessment process involves judgments and is based on assumptions such as revenue from number of forecasted students and related tuition and other matriculation fees, profit margins, long-term growth rate and discount rate in estimating discounted cash flow projections.



The Group's disclosures about goodwill are included in Notes 5 and 15 to the consolidated financial statements.

Audit response

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

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2017, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2017 are expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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



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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.



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

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

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

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

SYCIP GORRES VELAYO & CO.

Wenda Lynn M. Loyola

Wenda Lynn M. Loyola
Partner

CPA Certificate No. 109952

SEC Accreditation No. 1540-A (Group A),
March 8, 2016, valid until March 8, 2019

Tax Identification No. 242-019-387

BIR Accreditation No. 08-001998-117-2016,

February 15, 2016, valid until February 14, 2019

PTR No. 6621276, January 9, 2018, Makati City

April 6, 2018



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

	December 31	
	2017	2016
ASSETS		
Current Assets		
Cash and cash equivalents (Note 6)	₱1,967,498,425	₱2,393,201,221
Financial asset at fair value through profit or loss	8,461,820	8,339,643
Accounts receivable (Note 8)	9,300,540,566	7,999,202,956
Current portion of loans receivable (Note 7)	10,159,319	11,449,015
Costs and estimated earnings in excess of billings on uncompleted contracts (Note 9)	3,753,207,563	4,200,040,478
Receivables from related parties (Note 22)	155,102,232	54,371,552
Inventories (Note 10)	1,117,527,767	1,566,727,416
Prepaid expenses and other current assets (Note 11)	1,418,625,854	1,102,189,658
Total Current Assets	17,731,123,546	17,335,521,939
Noncurrent Assets		
Available-for-sale (AFS) financial assets (Note 12)	449,585,193	524,064,241
Loans receivable - net of current portion (Note 7)	3,507,320	3,875,640
Investments in associates and joint ventures (Note 13)	4,821,213,966	3,722,070,350
Investment properties (Note 16)	18,715,503	206,434,597
Property and equipment (Note 14)		
At revalued amount	6,312,509,812	4,955,173,600
At cost	6,585,840,280	5,774,235,008
Goodwill (Note 15)	471,357,459	471,357,459
Retirement assets (Note 31)	46,490,063	39,949,093
Deferred tax assets - net (Note 32)	103,817,692	120,800,051
Other noncurrent assets - net (Note 17)	808,546,988	535,231,676
Total Noncurrent Assets	19,621,584,276	16,353,191,717
Total Assets	₱37,352,707,822	₱33,688,713,656
LIABILITIES AND EQUITY		
Current Liabilities		
Loans payable (Note 19)	₱7,685,000,000	₱4,100,000,000
Accounts payable and other current liabilities (Note 18)	5,586,176,162	6,333,879,171
Current portion of long-term debt (Note 20)	491,865,198	491,748,610
Income tax payable (Note 32)	21,834,468	19,790,007
Due to related parties (Note 22)	124,038,237	127,809,141
Billings in excess of costs and estimated earnings on uncompleted contracts (Note 9)	4,085,077,913	4,622,231,447
Unearned tuition fees	89,159,755	53,041,443
Customers' deposits	18,213,875	16,641,303
Total Current Liabilities	18,101,365,608	15,765,141,122
Noncurrent Liabilities		
Long-term debt - net of current portion (Note 20)	2,180,081,616	2,671,946,840
Retirement liabilities (Note 31)	148,565,857	147,815,273
Deferred tax liabilities - net (Note 32)	412,856,405	358,892,950
Other noncurrent liabilities (Note 18)	158,414,754	139,029,578
Total Noncurrent Liabilities	2,899,918,632	3,317,684,641
Total Liabilities	₱21,001,284,240	₱19,082,825,763

(Forward)



	December 31	
	2017	2016
Equity		
Attributable to equity holders of the Parent Company		
Preferred stock (Note 38)	₱253,758,109	₱280,802,820
Common stock (Note 38)	921,836,572	921,836,572
Additional paid-in capital	154,578,328	154,578,328
Equity reserve on acquisition of non-controlling interest	(179,954,180)	(179,954,180)
Revaluation increment on land - net (Note 14)	1,329,730,248	1,106,401,670
Cumulative translation adjustments	224,366,002	159,864,897
Net unrealized gain on AFS financial assets (Note 12)	87,185,459	79,859,050
Remeasurement loss on defined benefit plans (Note 31)	(5,100,398)	(2,832,302)
Retained earnings (Note 39)	8,407,828,501	7,529,455,996
	11,194,228,641	10,050,012,851
Non-controlling interests (Note 35)	5,157,194,941	4,555,875,042
Total Equity	16,351,423,582	14,605,887,893
	₱37,352,707,822	₱33,688,713,656

See accompanying Notes to Consolidated Financial Statements.



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

	Years Ended December 31		
	2017	2016	2015
REVENUE (Note 36)			
Sales of services	₱14,866,251,011	₱15,670,330,884	₱19,700,654,455
Sales of goods	10,735,909,672	7,803,941,763	7,074,703,794
School and related operations	1,933,856,492	2,203,794,405	2,252,281,825
Interest and discounts	10,274,599	10,786,917	11,737,198
Dividends (Notes 12 and 13)	1,851,934	52,890,208	51,448,085
	27,548,143,708	25,741,744,177	29,090,825,357
COSTS OF SALES AND SERVICES			
Cost of services (Notes 24 and 26)	12,908,040,314	13,493,607,664	17,190,247,076
Cost of goods sold (Notes 24 and 25)	10,108,753,991	7,339,307,717	6,629,847,421
Cost of tuition and other fees (Notes 24 and 27)	1,286,658,343	1,300,042,918	1,213,004,494
	24,303,452,648	22,132,958,299	25,033,098,991
GROSS PROFIT	3,244,691,060	3,608,785,878	4,057,726,366
OTHER INCOME - Net (Note 23)	920,939,339	476,225,101	393,296,091
EQUITY IN NET EARNINGS (LOSSES) OF ASSOCIATES AND JOINT VENTURES (Note 13)	289,372,254	(1,094,246,390)	(464,411,056)
GENERAL AND ADMINISTRATIVE EXPENSES (Note 28)	(2,319,954,488)	(2,100,882,227)	(1,790,729,099)
INTEREST AND FINANCE CHARGES (Notes 19, 20, 22 and 30)	(276,067,989)	(300,802,231)	(279,516,588)
INCOME BEFORE INCOME TAX	1,858,980,176	589,080,131	1,916,365,714
PROVISION FOR INCOME TAX (Note 32)			
Current	388,854,133	345,800,248	569,996,377
Deferred	7,057,293	23,920,309	(20,123,597)
	395,911,426	369,720,557	549,872,780
NET INCOME	₱1,463,068,750	₱219,359,574	₱1,366,492,934
Net income (loss) attributable to:			
Equity holders of the Parent Company	941,441,126	₱402,669,546	₱1,022,731,322
Non-controlling interests	521,627,624	(183,309,972)	343,761,612
	₱1,463,068,750	₱219,359,574	₱1,366,492,934
EARNINGS PER SHARE (Note 33)			
BASIC	₱1.4909	₱0.6153	₱1.6166
DILUTED	₱1.1990	₱0.5013	₱1.2425

See accompanying Notes to Consolidated Financial Statements.



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

	Years Ended December 31		
	2017	2016	2015
NET INCOME	₱1,463,068,750	₱219,359,574	₱1,366,492,934
OTHER COMPREHENSIVE INCOME			
<i>Items to be reclassified to profit or loss in subsequent periods:</i>			
Cumulative translation adjustments	(4,640,619)	110,020,860	161,578,737
Net unrealized gain (loss) on AFS (Note 12)	10,704,379	(6,887,653)	(23,276,461)
Share in other comprehensive income of an associate (Note 13)	67,023,747	-	-
<i>Items not to be reclassified to profit or loss in subsequent periods:</i>			
Revaluation increment on land (Note 14)	405,825,900	374,754,842	819,570,401
Remeasurement gains (losses) on net retirement liability (Note 31)	(2,400,238)	49,658,724	(108,280,558)
Share in other comprehensive income of an associate (Note 13)	(3,377,562)	-	-
Income tax effect relating to items that will not be reclassified	(60,324,543)	(67,375,039)	(146,541,075)
	412,811,064	460,171,734	703,051,044
TOTAL COMPREHENSIVE INCOME	₱1,875,879,814	₱679,531,308	₱2,069,543,978
Total comprehensive income attributable to:			
Equity holders of the Parent Company	₱1,234,329,122	₱714,412,479	₱1,487,399,345
Non-controlling interests	641,550,692	(34,881,171)	582,144,633
	₱1,875,879,814	₱679,531,308	₱2,069,543,978

See accompanying Notes to Consolidated Financial Statements.



HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015

Attributable to Equity Holders of the Parent Company

	Capital stock (Note 38)	Additional Paid-in Capital	Equity Reserve on Acquisition of Non-controlling Interest (Note 2)	Revaluation Increment on Land - Net (Note 14)	Cumulative Translation Adjustments (Notes 13 and 41)	Unrealized Gain on AFS Financial Assets (Note 12)	Net Gain on Remeasurement Losses on Defined Benefit Plans (Note 31)	Retained Earnings (Note 39)	Non-controlling Interests (Note 35)	Total
BALANCES AT DECEMBER 31, 2014	¥344,007,243	¥921,687,536	¥154,578,328	¥120,309,754	¥11,902,110	¥105,648,267	¥31,298,374	¥6,234,678,662	¥4,533,289,560	¥12,747,699,217
Net income	-	-	-	-	-	-	-	1,022,731,322	343,761,612	1,366,492,934
Other comprehensive income	-	-	-	455,803,633	87,451,578	(19,509,921)	(59,077,267)	464,668,023	238,383,021	703,051,044
Total comprehensive income	-	-	-	455,803,633	87,451,578	(19,509,921)	(59,077,267)	1,487,399,345	582,144,633	2,069,543,978
Redemption of preferred stock	(33,128,338)	-	-	-	-	-	-	-	-	(33,128,338)
Conversion to common stock	(149,036)	149,036	-	-	-	-	-	-	-	-
Acquisition of non-controlling interests	-	-	(170,253,563)	-	703,870	378,626	(3,358,642)	-	(209,075,726)	(381,605,435)
Dividend declaration	-	-	-	-	-	-	-	(66,964,038)	(160,464,872)	(227,428,910)
BALANCES AT DECEMBER 31, 2015	¥310,729,869	¥921,836,572	¥154,578,328	¥876,113,387	¥100,057,558	¥86,516,972	¥31,137,535	¥7,190,445,946	¥4,745,893,595	¥14,175,080,512
Net income	-	-	-	-	-	-	-	402,669,546	(183,309,972)	219,359,574
Other comprehensive income	-	-	-	230,288,283	59,807,339	(6,657,922)	28,305,233	-	311,742,933	460,171,734
Total comprehensive income	-	-	-	230,288,283	59,807,339	(6,657,922)	28,305,233	402,669,546	128,432,961	679,531,308
Redemption of preferred stock	(29,927,049)	-	-	-	-	-	-	-	(29,927,049)	(29,927,049)
Dividend declaration	-	-	-	-	-	-	-	(63,659,496)	(155,137,382)	(218,796,878)
BALANCES AT DECEMBER 31, 2016	¥280,802,820	¥921,836,572	¥154,578,328	¥1,106,401,670	¥159,864,897	¥79,859,050	¥2,832,302	¥7,529,455,996	¥4,555,875,042	¥14,605,887,893
Net income	-	-	-	-	-	-	-	941,441,126	521,627,624	1,463,068,750
Other comprehensive income	-	-	-	223,328,578	64,501,105	7,326,409	(2,268,096)	-	19,923,068	412,811,064
Total comprehensive income	-	-	-	223,328,578	64,501,105	7,326,409	(2,268,096)	941,441,126	541,550,692	1,875,879,814
Redemption of preferred stock	(27,044,711)	-	-	-	-	-	-	-	(27,044,711)	(27,044,711)
Changes in of non-controlling interests	-	-	-	-	-	-	-	-	20,000,000	20,000,000
Dividend declaration	-	-	-	-	-	-	-	(63,068,621)	(60,230,793)	(123,299,414)
BALANCES AT DECEMBER 31, 2017	¥253,758,109	¥921,836,572	¥154,578,328	¥1,329,730,248	¥224,366,002	¥87,185,459	¥5,100,398	¥8,407,828,501	¥5,157,194,941	¥16,351,423,582

See accompanying Notes to Consolidated Financial Statements.



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

	Years Ended December 31		
	2017	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱1,858,980,176	₱589,080,131	₱1,916,365,714
Adjustments for:			
Depreciation and amortization (Notes 14, 16 and 17)	923,058,850	901,670,818	756,372,773
Interest and finance charges (Notes 19, 20, and 22)	276,067,989	300,802,231	279,516,588
Loss on liquidation of subsidiaries (Note 23)	-	26,174,418	-
Impairment loss other assets	-	-	5,388,517
Market gain on financial asset at fair value through profit or loss	(122,177)	(133,870)	(184,143)
Unrealized foreign exchange loss (gain)	(932,596)	1,381,743	39,326,725
Dividend income (Notes 4 and 22)	(1,851,934)	(52,890,208)	(51,448,085)
Gain on reversal of impairment loss on investment properties	(14,182,841)	-	-
Interest income (Note 23)	(71,659,747)	(77,124,698)	(42,741,377)
Equity in net losses (earnings) of associates and joint venture (Note 13)	(289,372,254)	1,094,246,390	464,411,056
Gain on sale of:			
Property and equipment (Notes 14 and 23)	(8,813,780)	(4,179,887)	(4,115,025)
Available-for-sale financial assets (Notes 12 and 23)	(58,680,807)	(63,041,964)	(34,587,158)
Investment properties (Note 16)	(279,071,868)	(24,746,631)	(5,390,206)
Movements in net retirement liabilities	(5,790,386)	(92,732,309)	93,451,396
Operating income working capital changes	2,327,628,625	2,598,506,164	3,416,366,775
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Accounts receivable	(1,207,163,248)	(570,509,390)	(644,452,197)
Loans receivable	1,658,016	(1,662,055)	2,936,925
Costs and estimated earnings in excess of billings on uncompleted contracts	446,832,915	1,666,872,418	(1,826,727,942)
Receivables from related parties	(100,660,804)	21,972,285	(20,796,302)
Inventories	449,199,649	(260,477,779)	(256,727,465)
Prepaid expenses and other current assets	(342,671,078)	(262,176,260)	(56,376,076)
Increase (decrease) in:			
Due to related parties	2,172,337	5,134,239	(13,199,980)
Billings in excess of costs and estimated earnings on uncompleted contracts	(537,153,534)	(361,086,918)	1,942,619,768
Accounts payable and other current liabilities	(721,706,117)	(532,888,330)	737,898,627
Customers' deposits	1,572,572	(2,262,171)	(26,693,749)
Unearned tuition fees	36,118,312	40,587,600	2,296,355
Net cash generated from operations	355,827,645	2,342,009,803	3,257,144,739
Interest received	71,659,747	77,124,698	42,741,377
Interest and finance charges paid	(275,231,879)	(300,212,692)	(272,377,724)
Income tax paid	(405,705,362)	(360,445,037)	(549,801,266)
Net cash flows provided by (used in) operating activities	(253,449,849)	1,758,476,772	2,477,707,126

(Forward)



	Years Ended December 31		
	2017	2016	2015
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Investments in associates and joint ventures (Note 13)	₱-	(₱296,369,355)	(₱1,035,640,156)
Property and equipment (Note 14)	(2,688,689,420)	(998,056,194)	(1,687,672,452)
Available-for-sale securities (Note 12)	(20,865,766)	-	(243,837,196)
Proceeds from sale of:			
Available-for-sale securities (Note 12)	162,750,000	166,686,113	90,705,769
Property and equipment (Note 14)	31,379,487	11,353,056	13,627,373
Investment properties (Note 16)	137,684,592	54,118,895	26,134,425
Return of capital (Note 12)	-	53,000	-
Proceeds from return of investments in an associate	-	4,191,782	-
Dividends received	41,259,930	94,334,408	81,211,645
Increase (decrease) in other noncurrent assets	-	152,127,823	(135,087,293)
Advances extended to an associate (Note 13)	(794,208,366)	-	-
Net cash flows used in investing activities	(3,130,689,543)	(811,560,472)	(2,890,557,885)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Loans payable (Note 19)	13,127,000,000	12,470,000,000	13,245,000,000
Long-term debt (Note 20)	-	-	2,006,967,904
Changes in non-controlling interests (Note 43)	20,000,000	-	-
Payments of:			
Loans payable (Note 19)	(9,542,000,000)	(12,530,000,000)	(12,605,400,000)
Long-term debt (Note 20)	(494,446,885)	(601,397,435)	(1,413,094,389)
Redemption of preferred shares (Note 39)	(27,044,711)	(29,927,049)	(33,128,338)
Acquisition of non-controlling interests	-	-	(381,605,435)
Decrease in lease liability	-	-	(281,259)
Cash dividends paid (Note 38)	(121,558,238)	(219,240,811)	(246,781,916)
Net cash flows provided by (used in) financing activities	2,961,950,166	(910,565,295)	571,676,567
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS			
	(3,513,570)	17,636,450	19,280,145
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			
	(425,702,796)	53,987,455	178,105,953
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 YEAR (Note 6)			
	₱1,967,498,425	₱2,393,201,221	₱2,339,213,766

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 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. (XML)	Philippines	Car dealership	Philippine Peso	100.00	-	100.00	-
Investment Managers, Inc. (IMI)	Philippines	Insurance agent, financing, trading and real estate	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	-
EEl Limited	British Virgin Islands	Holding company	US Dollar	-	100.00	-	100.00
Clear Jewel Investments, Ltd.	British Virgin Islands	Holding company	US Dollar	-	100.00	-	100.00
Nimaridge Investments, Limited	Islands	Holding company	US Dollar	-	100.00	-	100.00
EEl (PNG), Ltd	Papua New Guinea	Holding company	US Dollar	-	100.00	-	100.00
EEl Corporation (Guam), Inc.	United States of 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
JP Systems Asia Inc. (JPSAI) ^(b)	Philippines	Rental of scaffolding and formworks	Philippine Peso	-	60.00	-	60.00
EEl Power Corporation (EPC)	Philippines	Power generation	Philippine Peso	-	100.00	-	100.00
Gulf Asia International Corporation (GAIC)	Philippines	Manpower services	Philippine Peso	-	100.00	-	100.00
GAIC Professional Services, Inc. (GAPSI)	Philippines	Manpower services	Philippine Peso	-	100.00	-	100.00
GAIC Manpower Services, Inc. (GAMSI)	Philippines	Manpower services	Philippine Peso	-	100.00	-	100.00
Bagumbayan Equipment & Industrial Products, Inc.	Philippines	Consultancy services	Philippine Peso	-	100.00	-	100.00
Philmark, Inc.	Philippines	Construction	Philippine Peso	-	100.00	-	100.00
Philrock Construction and Services, Inc.	Philippines	Manpower services	Philippine Peso	-	100.00	-	100.00
iPeople, Inc. (IPO)	Philippines	Education and Information Technology	Philippine Peso	67.34	-	67.34	-
Malayan Education System, Inc. (MESI) (formerly Malayan Colleges, Inc.)	Philippines	Education and Information Technology	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
Malayan Colleges Laguna, Inc. (MCLI)	Philippines	Education and Information Technology	Philippine Peso	-	100.00	-	100.00
Malayan Colleges Mindanao, Inc. (MCMi)	Philippines	Education and Information Technology	Philippine Peso	-	100.00	-	100.00
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) 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.

Non-controlling 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 non-controlling interests having a deficit balance.

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

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- 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, 2017. Adoption of these pronouncements did not have any significant impact on the Group's financial position or performance unless otherwise indicated.

- 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 Group has provided the required information in Notes 18, 19 and 20 to the Group financial statements. As allowed under the transition provisions of the standard, the Group Company did not present comparative information for the year ended December 31, 2016.

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

Pronouncements Issued but not yet Effective

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

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. The Group is currently assessing the impact of adopting this standard.

- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs 2014 - 2016 Cycle*)

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.

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

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*
- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*

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 December 31, 2017 and 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 December 31, 2017 and 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 ₱1.3 million and ₱13.1 million as of December 31, 2017 and 2016, respectively, and included under “Accounts payable and other current liabilities” in the consolidated statements of financial position (Note 18).

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 December 31 follows:

	Place of Incorporation	Nature of Business	Functional Currency	Percentage of Ownership	
				2017	2016
Associates:					
Hi-Eisai Pharmaceutical, Inc. (HEPI)	Philippines	Pharmaceutical	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 venture:					
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

Borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset including property and equipment while the qualifying asset is under construction are capitalized as part of the cost of that asset. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Capitalization of borrowing cost should commence when: (i) expenditures for the asset and borrowing costs are being incurred; and (ii) activities that are necessary to prepare the asset for its intended use or sale are in progress.

Capitalization ceases when the asset is substantially ready for its intended use or sale. If active development is interrupted for an extended period, capitalization is suspended. When construction occurs piecemeal and use of each part is possible as construction continues, capitalization of each part ceases upon substantial completion of that part. For borrowing of funds associated with a specific asset, the actual rate on that borrowing is used. Otherwise, a weighted average cost of borrowing is used. All other borrowing costs are expensed as incurred. However, if the carrying amount of the asset after capitalization of borrowing costs exceeds its recoverable amount, an impairment loss is recognized.

Business Combination and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with PAS 39 either in profit or loss or as a change to OCI. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

PFRS 3 provides that if the initial accounting for a business combination can be determined only provisionally by the end of the period in which the combination is effected because either the fair values to be assigned to the acquiree's identifiable assets, liabilities or contingent liabilities or the cost of the combination can be determined only provisionally, the acquirer shall account for the combination using those provisional values. The acquirer shall recognize any adjustments to those provisional values as a result of completing the initial accounting within twelve months of the acquisition date as follows: (i) the carrying amount of the identifiable asset, liability or contingent liability that is recognized or adjusted as a result of completing the initial accounting shall be calculated as if its fair value at the acquisition date had been recognized from that date;



(ii) goodwill or any gain recognized shall be adjusted by an amount equal to the adjustment to the fair value at the acquisition date of the identifiable asset, liability or contingent liability being recognized or adjusted; and (iii) comparative information presented for the periods before the initial accounting for the combination is complete shall be presented as if the initial accounting has been completed from the acquisition date.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss. Before recognizing a gain on a bargain purchase, the Group assesses whether it has correctly identified all of the assets acquired 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, People eServe 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

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 38).

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 39).

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 December 31, 2017 and 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

Revenue and cost 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, particularly with respect to the calculation of estimated costs to completion because it requires the technical expertise of the Group's engineers on the determination of the quantity of the inputs such as materials, labor and equipment needed to complete the construction, stage of completion and contract price variations.

As of December 31, 2017 and 2016, the costs and estimated earnings in excess of billings on uncompleted contracts amounted to ₱3,753.2 million and ₱4,200.0 million, respectively. Billings in excess of costs and estimated earnings on uncompleted contracts amounted to ₱4,085.1 million and ₱4,622.2 million as of December 31, 2017 and 2016, respectively (Note 9).

Estimation of 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 receivables are disclosed in Notes 7, 8, 17 and 22 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 ₱6,312.5 million and ₱4,955.2 as of December 31, 2017 and 2016, respectively. The key assumptions used to determine the fair value of the parcels of land are disclosed in Note 14.

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 (Notes 18 and 34).

Impairment of goodwill of Malayan Education System, Inc. (MESI) (formerly 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 Education System, Inc. (MESI) (formerly Malayan Colleges, Inc.) amounting to ₱137.9 million as of December 31, 2017 and 2016 is not impaired (Note 15).

Estimation of retirement benefits

The determination of the obligation and cost of retirement benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, discount rates and salary increase rates were disclosed in Note 31. 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 ₱46.5 million and ₱39.9 million as of December 31, 2017 and 2016, respectively whereas retirement liabilities amounted to ₱148.6 million and ₱147.8 million as of December 31, 2017 and 2016, respectively (Note 31).

Deferred tax assets

The Group reviews the carrying amounts of deferred income taxes at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Where there is no absolute assurance that each legal entity in the Group will generate sufficient taxable profit to allow all or part of its deferred tax assets to be utilized, deferred tax assets are not recognized.

Deferred tax assets recognized and unrecognized by the Group are disclosed in Note 32 to the consolidated financial statements.



6. Cash and Cash Equivalents

This account consists of:

	2017	2016
Cash on hand and in banks	₱1,250,528,876	₱1,478,830,024
Short-term investments	716,969,549	914,371,197
	₱1,967,498,425	₱2,393,201,221

Cash in banks earns interest at the respective bank deposit rates. Short-term investments are made for varying periods of up to three (3) months depending on the immediate cash requirements of the Group and earns annual interest at the respective short-term investment rates.

Interest income from cash in banks and short-term investments amounted to ₱17.3 million and ₱27.3 million and ₱15.8 million for the years ended December 31, 2017, 2016 and 2015, respectively (Note 23).

7. Loans Receivable

This account consists of:

	2017	2016
Gross receivables	₱17,536,598	₱19,378,197
Less allowance for impairment	3,869,959	4,053,542
	13,666,639	15,324,655
Less noncurrent portion	3,507,320	3,875,640
Current portion	₱10,159,319	₱11,449,015

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

	2017	2016
Time loan principals	₱25,207,600	₱25,723,287
Unearned discount and interest	(7,671,002)	(6,345,090)
	17,536,598	19,378,197
Less allowance for impairment	3,869,959	4,053,542
	₱13,666,639	₱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 and 2016. 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

	2017	2016
Secured loans		
Chattel mortgage	₱6,928,996	₱6,099,210
Real estate mortgage	16,629,114	17,974,587
	23,558,110	24,073,797
Unsecured loans	1,649,490	1,649,490
	₱25,207,600	₱25,723,287



b) As to maturity

	2017	2016
Maturing within one year	₱21,326,805	₱19,775,990
Maturing one year to five years	3,880,795	5,947,297
	₱25,207,600	₱25,723,287

The changes in individually assessed allowance for impairment as at December 31 follow:

	2017	2016
Balance at beginning of year	₱4,053,542	₱3,819,369
Provision for impairment losses (Note 28)	380,000	542,324
Written-off	(563,583)	(308,151)
Balance at end of year	₱3,869,959	₱4,053,542

8. Accounts Receivable

This account consists of:

	2017	2016
Trade		
Construction and infrastructure (including retention receivable of ₱2.7 billion and ₱3.3 billion as of December 31, 2017 and 2016, respectively)	₱6,751,234,748	₱5,807,835,913
Car dealership	1,552,261,016	926,152,028
Education and information technology	159,320,973	171,394,833
Other services	75,631,683	19,706,600
Other receivables		
Consultancy fee	306,621,841	305,946,232
Receivable from customers	61,400,000	380,296,804
Receivable from sale of investment properties	121,760,316	30,113,683
Receivable from EEI RFI (Notes 17 and 22)	45,000,000	45,266,388
Receivables from plant	27,877,545	81,254,888
Advances to officers and employees	20,048,873	19,803,200
Rent receivable	399,328	669,873
Others	380,158,023	426,000,506
	9,501,714,346	8,214,440,948
Less allowance for impairment	201,173,780	215,237,992
	₱9,300,540,566	₱7,999,202,956



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

2017						
	Construction and Infrastructure	Car Dealership	Education and Information Technology	Other Services	Other Receivables	Total
Balances at beginning of year	₱35,347,628	₱38,035,317	₱61,125,773	₱6,208,855	₱74,520,419	₱215,237,992
Provisions - net of recoveries (Notes 27 and 28)	(4,880,582)	(283,090)	5,831,619	493,993	7,723,478	8,885,418
Transfers	(9,695,689)	-	-	-	(4,589,853)	(14,285,542)
Write-offs	-	(71,520)	(1,421,253)	(730,660)	(6,440,655)	(8,664,088)
Balances at end of year	₱20,771,357	₱37,680,707	₱65,536,139	₱5,972,188	₱71,213,389	₱201,173,780
Individually impaired	₱20,771,357	₱37,680,707	9,614,596	₱5,972,188	₱71,213,389	₱145,252,237
Collectively impaired	-	-	55,921,543	-	-	₱55,921,543
Total	₱20,771,357	₱37,680,707	₱65,536,139	₱5,972,188	₱71,213,389	₱201,173,780

2016						
	Construction and Infrastructure	Car Dealership	Education and Information Technology	Other Services	Other Receivables	Total
Balances at beginning of year	₱67,921,840	₱32,259,687	₱61,335,683	₱7,733,529	₱100,434,231	₱269,684,970
Provisions - net of recoveries (Notes 27 and 28)	1,047,078	8,744,920	5,916,388	316,668	(783,355)	15,241,699
Transfers	-	(2,969,290)	-	-	(24,407,183)	(24,407,183)
Reversals	-	-	-	-	(664,444)	(3,633,734)
Write-offs	(33,621,290)	-	(6,126,298)	(1,841,342)	(58,830)	(41,647,760)
Balances at end of year	₱35,347,628	₱38,035,317	₱61,125,773	₱6,208,855	₱74,520,419	₱215,237,992
Individually impaired	₱35,347,628	₱38,035,317	₱8,967,565	₱6,208,855	₱74,520,419	₱163,079,784
Collectively impaired	-	-	52,158,208	-	-	52,158,208
Total	₱35,347,628	₱38,035,317	₱61,125,773	₱6,208,855	₱74,520,419	₱215,237,992

Trade receivables

The trade receivables are noninterest-bearing and collectible within one (1) year which consists of the following:

Receivable from construction and infrastructure

Receivables from construction and infrastructure 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 in 2017 and 2016.



Other receivables

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

Receivable from sale of investment properties

On December 11, 2017, the Group sold a parcel of land located in Batangas for ₱466.7 million. Both parties agreed the selling price be settled in eight (8) semi-annual installments and shall bear annual interest rate of 2%.

Receivable from EEI RFI pertains to the Group's sale of land to EEI RFI, a trustee of the Group's employee retirement fund in previous years. Both parties agreed the selling price be repaid in installments and bear annual interest rate of 5%. In 2016, the Parent Company and the Fund agreed to extend the term of the payment until April 30, 2021 (Note 22).

Receivable from customers

In 2016, receivable from customers bear interest of 7.25% per annum and will mature in 2017. In 2017, trade receivables with gross value of ₱290.8 million (provided with allowance of ₱11.2 million) were reclassified to receivables from customers after the Group and the customers agreed to extend the credit terms. These receivables bear interest of 5% per annum and will be repaid in five (5) years' time.

Details of the abovementioned receivables follow:

	2017	2016
Receivable from sale of investment properties		
Current portion	₱121,760,316	₱30,113,683
Noncurrent portion (Note 17)	252,642,633	-
Receivable from EEI RFI		
Current portion	45,000,000	45,266,388
Noncurrent portion (Note 17)	133,000,000	178,000,000
Receivable from customers		
Current portion	61,400,000	380,296,804
Noncurrent portion (Note 17)	150,807,263	-

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 are interest-bearing and repaid on a monthly basis through salary deductions.

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



9. Costs, Estimated Earnings and Billings on Uncompleted Contracts

The Group's revenue from construction contracts amounted to ₱12,886.1 million, ₱13,826.1 million and ₱17,951.6 million for the years ended 2017, 2016 and 2015, respectively.

The details of the costs, estimated earnings and billings on uncompleted contracts follow:

	2017	2016
Total costs incurred	₱57,929,041,179	₱57,567,800,315
Add estimated earnings	6,758,211,585	6,255,395,156
	64,687,252,764	63,823,195,471
Less total billings	65,019,123,114	64,245,386,440
	(₱331,870,350)	(₱422,190,969)

The foregoing balances are reflected in the consolidated statements of financial position under the following accounts:

	2017	2016
Costs and estimated earnings in excess of billings on uncompleted contracts	₱3,753,207,563	₱4,200,040,478
Billings in excess of costs and estimated earnings on uncompleted contracts	(4,085,077,913)	(4,622,231,447)
	(₱331,870,350)	(₱422,190,969)

As of December 31, 2017 and 2016, the Group received advances from customers amounting to ₱6,188.0 million and ₱5,952.2 million, respectively.

10. Inventories

This account consists of:

	2017	2016
At cost		
Land and land development	₱217,303,784	₱219,021,006
Subdivision lots and contracted units for sale	91,619,497	98,455,666
Raw lands	45,229,389	45,229,389
	354,152,670	362,706,061
At NRV		
Merchandise	651,266,483	1,066,795,911
Construction materials	74,421,644	81,538,956
Spare parts and supplies	37,686,970	55,686,488
	763,375,097	1,204,021,355
	₱1,117,527,767	₱1,566,727,416

The related costs of inventories recorded at NRV follow:

	2017	2016
Merchandise	₱679,423,637	₱1,077,687,229
Construction materials	74,421,644	90,023,201
Spare parts and supplies	55,938,544	81,538,956
	₱809,783,825	₱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 ₱10,108.8 million, ₱7,339.3 million and ₱6,629.8 million in 2017, 2016 and 2015, respectively (Notes 24 and 25).

The rollforward of allowance for inventory obsolescence is as follows:

	2017	2016
Balances at beginning of year	₱45,228,031	₱42,218,031
Provisions (Note 28)	34,451,669	3,010,000
Reversals	(8,805,300)	-
Balances at end of year	₱70,874,400	₱45,228,031

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

	2017	2016
Balance at beginning of year	₱362,706,061	₱350,047,882
Repossessed inventories	-	3,324,291
Construction/development costs incurred	18,587,513	23,269,593
Disposals (recognized as cost of real estate sales)	(27,140,904)	(13,935,705)
Balances at end of year	₱354,152,670	₱362,706,061

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

11. Prepaid Expenses and Other Current Assets

This account consists of:

	2017	2016
Advances to suppliers and contractors	₱651,696,569	₱568,640,550
Creditable withholding taxes	317,959,744	299,064,054
Input value added tax (VAT)	138,938,652	29,733,004
Prepaid expenses	89,608,794	64,668,674
Miscellaneous deposits	78,266,698	49,314,686
Restricted funds	40,770,732	35,672,208
Restricted cash investment	22,026,782	17,265,970
Advances to officers and employees	21,729,986	14,109,982
Prepaid taxes	19,957,723	9,807,372
Unused office supplies	4,583,204	2,642,107
Others	36,849,397	15,033,478
	1,422,388,281	1,105,952,085
Less allowance for impairment	3,762,427	3,762,427
	₱1,418,625,854	₱1,102,189,658

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



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.

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

Restricted funds significantly pertain to funds invested in money market placements exclusively for use in CWTS, NSTP, for financing of scholars of certain private entities and for the purpose of undertaking socio-economic studies and development projects.

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

12. Available-for-Sale Financial Assets

This account consists of:

	2017	2016
Quoted shares - at fair value	₱70,037,553	₱59,332,410
Unquoted shares - at cost	379,547,640	464,731,831
	₱449,585,193	₱524,064,241

Rollforward analysis of the account follow:

	2017	2016
Balance at beginning of year	₱524,064,241	₱634,649,043
Additions	20,865,766	-
Disposals and redemption	(104,069,193)	(103,644,149)
Return of capital	-	(53,000)
Reclassification	(1,980,000)	-
Net unrealized gain (loss) recognized in other comprehensive income	10,704,379	(6,887,653)
	₱449,585,193	₱524,064,241

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

	2017	2016
Attributable to equity holders of the parent:		
Balance at beginning of year	₱79,859,050	₱86,516,972
Loss recognized in OCI	7,326,409	(6,657,922)
Balance at end of year	87,185,459	79,859,050
Non-controlling interest:		
Balance at beginning of year	2,685,859	2,915,590
Loss recognized in OCI	3,377,970	(229,731)
Balance at end of year	6,063,829	2,685,859
	₱93,249,288	₱82,544,909



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

	2017	2016
PetroGreen Energy Corporation	₱258,079,889	₱237,279,889
Hermosa Ecozone Development Corporation	100,000,000	100,000,000
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
RCBC Realty Corporation (RRC)	-	104,112,432
Heritage Park	-	1,980,000
Others	2,750,218	2,641,977
	₱379,547,640	₱464,731,831

Fair value for these unquoted financial assets cannot be determined reliably because these equity instruments represent equity shares in private companies that are not quoted on any market and do not have any comparable industry peer that is listed.

The Group's investments in RRC, classified as AFS securities, are non-voting preference shares. Investments in RRC financial assets amounting to ₱104.1 million and ₱102.5 million were redeemed in 2017 and 2016, respectively, which resulted to gains amounting to ₱58.6 million and ₱57.8 million, respectively (Note 23).

In 2016, the Parent Company sold a portion of its investment in Heritage Park, an unquoted security, amounting to ₱1.1 million. The sale of such security resulted to a gain of ₱5.3 million (Note 23).

In 2015, the Group purchased 143.4 million shares amounting to ₱237.3 million for a 10% equity interest in PetroGreen Energy Corporation (PGEC) and acquired additional shares of YGC Corporate Services, Inc. amounting ₱0.4 million.

In 2015, the Group wrote-off its investment in Brightnote Asset Corporation and its related subscription payable amounting to ₱14.0 million because the investee issued a certificate of decrease in capital stock with the same amount.

In 2017, the Group invested an additional ₱20.87 million in PGEC. This transaction did not result to a change in the Group's 10% equity interest in PGEC as the other PGEC investors were also required by the investee to make additional investments proportionate to their ownership interest.

As of December 31, 2017 and 2016, available-for-sale investments pledged as security to long-term debt amounted to nil and ₱104.1 million, respectively (Note 20).



13. Investments in Associates and Joint Venture

The rollforward analysis of this account follows:

	2017	2016
Acquisition cost		
Balances at beginning	P3,320,189,223	P2,509,185,650
Additions	-	296,369,355
Reclassification	794,208,366	518,826,000
Return of investments	-	(4,191,782)
Balance at end of year	4,114,397,589	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 earnings (losses)	289,372,254	(1,094,246,390)
Dividends received	(41,259,930)	(33,134,920)
Balance at end of year	642,289,767	394,177,443
Subtotal	4,682,150,747	3,639,830,057
Share in other comprehensive income of an associate	63,646,185	-
Equity in cumulative translation adjustment	75,417,034	82,240,293
	P4,821,213,966	P3,722,070,350

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

(Amounts in millions)

	2017					
	PERC	RRC	MMPC	ARCC	PSOC	PWEI
Acquisition cost:						
Balance, January 1	P538	P959	P120	P832	P366	P257
Reclassification	-	-	-	-	-	-
Additions	-	-	-	-	-	-
Balance, December 31	538	959	120	832	366	257
Accumulated equity in net earnings (losses):						
Balance, January 1	152	240	194	(382)	65	14
Equity in net earnings (losses)	44	126	80	(14)	94	39
Dividends declared	-	(10)	(24)	-	-	-
Balance, December 31	196	356	250	(396)	159	53
Subtotal	734	1,315	370	436	525	310
Accumulated share in other comprehensive income:						
Balance, January 1	-	-	-	-	-	-
Share in remeasurement loss on retirement liability	(3)	-	-	-	-	-
Share in cumulative translation adjustments	67	-	-	-	-	-
Balance, December 31	64	-	-	-	-	-
Equity in cumulative translation adjustments	-	-	-	112	-	-
	P798	P1,315	P370	P548	P525	P310



	2016					
	PERC	RRC	MMPC	ARCC	PSOC	PWEI
Acquisition cost:						
Balance, January 1	P538	P959	P120	P18	P366	P257
Reclassification	-	-	-	519	-	-
Additions	-	-	-	295	-	-
Balance, December 31	538	959	120	832	366	257
Accumulated equity in net earnings (losses):						
Balance, January 1	133	178	150	1,034	(8)	(13)
Equity in net earnings (losses)	19	62	68	(1,416)	73	27
Dividends declared	-	-	(24)	-	-	-
Balance, December 31	152	240	194	(382)	65	14
Subtotal	690	1,199	314	450	431	271
Equity in cumulative translation adjustments	7	-	-	117	-	-
	P697	P1,199	P314	P567	P431	P271

The reconciliation of the net assets of the associates and joint ventures to the carrying amounts of the interests in significant associates and joint ventures recognized in the consolidated financial statement is as follows:

	2017					
	PERC	RRC	MMPC	ARCC	PSOC	PWEI
Net assets *	P3,451	P7,115	P1,128	P1,118	P1,190	P1,551
Proportionate ownership in the associate	22.41%	10.00%	25.98%	49.00%	44.00%	20.00%
Share in net identifiable assets	773	712	293	548	524	310
Transaction costs	-	-	-	-	1	-
Premium	25	603	77	-	-	-
Carrying value	P798	P1,315	P370	P548	P525	P310

*Excluding treasury shares and non-controlling interest

	2016					
	PERC	RRC	MMPC	ARCC	PSOC	PWEI
Net assets *	P2,999	5,955	P911	P1,158	P978	P1,354
Proportionate ownership in the associate	22.41%	10.00%	25.98%	49.00%	44.00%	20.00%
Share in net identifiable assets	672	596	237	567	430	271
Transaction costs	-	-	-	-	1	-
Premium	25	603	77	-	-	-
Carrying value	P697	P1,199	P314	P567	P431	P271

*Excluding treasury shares and non-controlling interest

Summarized financial information of the Group's significant associates and joint venture are as follows:

	2017					
	PERC	RRC	MMPC	ARCC	PSOC	PWEI
Current assets	P1,704	P1,251	P1,349	P7,716	P497	P787
Noncurrent assets	10,294	12,501	1,069	1,472	2,849	3,899
Total assets	P11,998	P13,752	P2,418	P9,188	P3,346	P4,686
Current liabilities	1,396	1,684	934	5,579	261	633
Noncurrent liabilities	5,511	4,953	356	2,491	1,895	2,502
Total liabilities	P6,907	P6,637	P1,290	P8,070	P2,156	P3,135
Revenues	P2,310	P2,717	P2,176	P9,318	P622	P726
Cost	(906)	(931)	(932)	(8,875)	(221)	(329)
Gross margin	P1,404	P1,786	P1,244	P443	P401	P397
Selling and administrative, and other expenses	(146)	(165)	(828)	(294)	(178)	(201)
Pre-tax income (loss)	P1,258	P1,621	P416	P149	P223	P196
Proportionate ownership in the associate	22.41%	10.00%	25.98%	49.00%	44.00%	20.00%
Share in pre-tax income (loss)	282	162	108	73	98	39
Income tax	(3)	(36)	(28)	(87)	(5)	-
Non-controlling interest	(235)	-	-	-	-	-
Equity in net earnings (losses)	P44	P126	P80	(P14)	P93	P39
Dividends received	P-	P10	P24	P-	P-	P-



	2016					
	PERC	RRC	MMPC	ARCC	PSOC	PWEI
Current assets	P1,432	P1,062	P1,007	P4,967	P455	P1,043
Noncurrent assets	7,782	10,932	1,093	2,448	2,958	4,047
Total assets	P9,214	P11,994	P2,100	P7,415	P3,413	P5,090
Current liabilities	P1,110	P1,438	P877	P5,372	P327	P1,000
Noncurrent liabilities	5,105	4,601	338	885	2,108	2,736
Total liabilities	P6,215	P6,039	P1,215	P6,257	P2,435	P3,736
Revenues	P1,597	P2,122	P701	P6,837	P559	P770
Cost	(1,052)	(982)	(79)	(9,703)	(199)	(568)
Gross margin	545	1,140	622	(2,866)	360	202
Selling and administrative, and other expenses	(256)	(180)	(268)	(650)	(183)	(68)
Pre-tax income (loss)	P289	P960	P354	(P3,516)	P177	P134
Proportionate ownership in the associate	22.41%	10.00%	25.98%	49.00%	44.00%	20.00%
Share in pre-tax income (loss)	65	96	92	(1,723)	78	27
Income tax	(2)	(34)	(24)	307	(5)	-
Non-controlling interest	(44)	-	-	-	-	-
Equity in net earnings (losses)	P19	P62	P68	(P1,416)	P73	P27
Dividends received	P-	P-	P24	P-	P-	P-

Other relevant financial information of PWEI are as follow:

	2017	2016
Cash and cash equivalents	P227,987,466	P367,327,481
Current financial liabilities *	337,000,000	417,200,000
Noncurrent financial liabilities *	2,486,988,420	2,721,750,463

* excluding trade and other payables and provisions

	2017	2016
Depreciation and amortization charged to:		
Cost of revenue	P189,137,646	P178,179,333
Operating expenses	259,704	152,884
Interest income	3,567,098	1,152,338
Interest expense	205,270,100	230,947,628

PERC

The shares of capital stock of PERC are listed with Philippine Stock Exchange. Its share price amounted to ₱6.1 per share and ₱4.2 per share as of December 29, 2017 and 2016, respectively.

ARCC

In 2017, the stockholders of ARCC extended advances amounting to ₱1,620.8 million (SAR121.75 million) to ARCC to refinance the associate's maturing bank loan and other funding requirements. The amount of the extended loan is proportionate to the ownership interests of the stockholders. Subsequently, the stockholders agreed to treat the SAR121.75 million loan as non-refundable Shareholders' funding in the statement of equity of ARCC. Consequently, the ₱794.2 million (SAR59.66 million) advances extended by the Company to ARCC was reclassified as additional investment in ARCC.

EEL Limited extended advances to ARCC amounting to ₱518.8 million in 2015. These advances were converted into additional investment in ARCC in 2016 and were presented as part of additions to the investment in ARCC. EEL Limited made additional investment of ₱294.9 million to ARCC in 2016.

PSOC

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



PWEI

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

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

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

In 2015 and 2014, EEI Power invested additional ₱16.02 million and ₱122.25 million, respectively, in PWEI. These transactions did not result to a change in the 20% ownership of the EEI Power over the joint venture.

As of December 31, 2017, investments in RRC and MMPCI amounting to ₱958.7 million and ₱14.4 million, respectively, were released by the bank creditors. (Notes 19 and 20).

14. Property and Equipment

Property and equipment at revalued amount

Movements in the revalued land are as follows:

	2017	2016
Balance at beginning of year	₱4,955,173,600	₱4,578,358,058
Additions:		
Acquisition	934,327,800	-
Appraisal increase	405,825,900	374,754,842
Capitalized transaction costs	17,182,512	2,060,700
Balance at end of year	₱6,312,509,812	₱4,955,173,600



The Parent Company owns a parcel of 7,304 sqm land located in Quezon Avenue, Quezon City wherein the car dealership showroom was erected.

On October 26, 2017, the Parent Company acquired a parcel of 5,114 sqm land located in Sta. Cruz, Makati City for ₱951.5 million where a new office building will be erected and will be used for administrative purposes.

Capitalizable costs include taxes paid for purchase of land and borrowing costs. Borrowing costs capitalized as part of the cost of the land acquired in 2017 amounted to ₱6.2 million based on capitalization rate of 3.13% which is the interest rate of the specific borrowing (nil in 2016) (Note 19).

As of December 31, 2017 and 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 and location among others. The significant unobservable valuation input is price per square meter (level 3 - Significant unobservable inputs). The parcels of land were valued in terms of their highest and best use.

Management believes that the carrying amount of the land in Sta. Cruz, Makati City approximate its fair value because it was acquired recently and there were no significant improvements made to the said land since October 6, 2017.

Description of the valuation techniques used and key inputs to valuation of land follow:

Location	Valuation Techniques	Unobservable Inputs Used	Range (Weighted Average)	
			2017	2016
Sen. Gil Puyat Avenue corners Nicanor Garcia and Jupiter Streets, Bel-Air, Makati City	Market Approach	Price per square meter	₱300,000 to	₱300,000 to
			₱400,000	₱400,000
			(₱355,000)	(₱355,000)
Muralla Street, Intramuros, Manila	Market Approach	Price per square meter	₱45,000 to	₱45,000 to
			₱65,000	₱55,000
			(₱56,667)	(₱48,750)
Paz Mendoza Guazon, Pandacan, Manila	Market Approach	Price per square meter	₱75,000 to	₱37,000 to
			₱91,806	₱55,000
			(₱83,380)	(₱45,250)
Barangay Pulo, City of Cabuyao, Laguna	Market Approach	Price per square meter	₱25,000 to	₱10,000 to
			₱28,840	₱12,000
			(₱26,280)	(₱10,333)
MacArthur Highway (Davao-Cotabato National Road), Brgy. Ma-a, Davao City	Market Approach	Price per square meter	₱30,000 to	₱8,972 to
			₱40,000	₱35,000
			(₱36,667)	(₱24,329)
Quezon and Panay Avenue, Quezon City	Market Approach	Price per square meter	₱100,000 to	₱76,000 to
			₱150,000	₱140,471
			(₱86,000)	(₱81,000)
Barangay Tuding, Itogon, Benguet	Market Approach	Price per square meter	₱6,500 to	₱7,500 to
			₱8,000	₱4,000
			(₱7,591)	(₱6,045)
Barangay Biga I, Silang, Province of Cavite	Market Approach	Price per square meter	₱8,000 to	₱3,000 to
			₱5,000	₱1,368
			(₱5,362)	(₱2,184)
Barangay Majada Labas, Calamba, Laguna	Sales Comparison Approach	Price per square meter	₱6,000 to	₱2,200 to
			₱4,500	₱2,000
			(₱5,026)	(₱2,037)



In 2017, 2016 and 2015, the Group revalued its land based on the appraisals made by SEC accredited appraisers. Movements in revaluation increment on land, net of deferred tax effect, for the years ended December 31 follow:

	2017	2016	2015
Beginning of year	₱1,489,905,172	₱1,170,506,366	₱524,792,904
Revaluation increment	347,516,198	319,398,806	645,713,462
End of year	₱1,837,421,370	₱1,489,905,172	₱1,170,506,366

As of December 31, 2017 and 2016, the cost of the parcels of land carried at revalued amounts amounted to ₱3,414.3 million and ₱2,462.8 million, respectively.

Property and equipment at cost

The rollforward analysis of this account follows:

	2017					Total
	Buildings and Improvements	Machinery, Tools and Construction Equipment	Transportation and Service Equipment	Furniture, Fixtures, and Office Equipment	Construction in Progress	
Cost						
At beginning of year	₱3,040,969,843	₱4,595,069,640	₱1,311,587,441	₱2,176,124,841	₱55,586,824	₱11,179,338,589
Additions	60,818,339	366,613,258	142,729,579	163,263,895	1,003,754,037	1,737,179,108
Disposals/retirements	-	(60,305,424)	(66,282,122)	(42,112,952)	-	(168,700,498)
Reclassifications	15,634,451	-	-	26,968,766	(42,603,217)	-
At end of year	3,117,422,633	4,901,377,474	1,388,034,898	2,324,244,550	1,016,737,644	12,747,817,199
Accumulated Depreciation and Amortization						
At beginning of year	1,459,628,216	1,736,060,857	580,404,743	1,629,009,765	-	5,405,103,581
Depreciation and amortization (Note 29)	133,446,786	423,328,186	131,913,349	214,319,808	-	903,008,129
Disposals/retirements	-	(48,928,888)	(55,362,203)	(41,843,700)	-	(146,134,791)
At end of year	1,593,075,002	2,110,460,155	656,955,889	1,801,485,873	-	6,161,976,919
Net Book Value at Cost	₱1,524,347,631	₱2,790,917,319	₱731,079,009	₱522,758,677	₱1,016,737,644	₱6,585,840,280

	2016					Total
	Land, Buildings and Improvements	Machinery, Tools and Construction Equipment	Transportation and Service Equipment	Furniture, Fixtures, and Office Equipment	Construction in Progress	
Cost						
At beginning of year	₱3,033,642,462	₱4,169,393,532	₱1,032,484,749	₱1,981,537,398	₱21,131,339	₱10,238,189,480
Additions	46,476,852	399,721,070	316,973,890	192,706,659	42,177,723	998,056,194
Disposals/retirements	-	(11,489,918)	(24,664,691)	(38,556,272)	-	(74,710,881)
Reclassifications	(39,149,471)	19,699,117	(13,206,507)	40,379,099	(7,722,238)	-
Transfers	-	17,745,839	-	57,957	-	17,803,796
At end of year	3,040,969,843	4,595,069,640	1,311,587,441	2,176,124,841	55,586,824	11,179,338,589
Accumulated Depreciation and Amortization						
At beginning of year	1,322,814,269	1,349,108,519	457,336,306	1,454,137,734	-	4,583,396,828
Depreciation and amortization (Note 29)	138,304,347	394,953,567	142,919,897	213,066,654	-	889,244,465
Disposals/retirements	-	(10,327,117)	(18,986,281)	(38,224,314)	-	(67,537,712)
Reclassifications	(1,490,400)	2,325,888	(865,179)	29,691	-	-
At end of year	1,459,628,216	1,736,060,857	580,404,743	1,629,009,765	-	5,405,103,581
Net Book Value at Cost	₱1,581,341,627	₱2,859,008,783	₱731,182,698	₱547,115,076	₱55,586,824	₱5,774,235,008



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

	2017	2016	2015
Cost of sales and services			
Construction contracts (Note 26)	₱471,687,826	₱483,036,014	₱373,765,749
Tuition and other fees (Note 27)	194,640,246	190,097,703	160,594,643
Manpower and other services (Note 26)	58,781,486	46,535,401	44,587,611
Capitalized as part of cost of inventories	622,472	165,063	—
	725,732,030	719,834,181	578,948,003
General and administrative expenses (Note 28)	177,276,099	169,410,284	154,573,711
	₱903,008,129	₱889,244,465	₱733,521,714

Construction in progress mainly includes the general cost of construction of MCMI's school building in Davao City and other direct cost. Borrowing costs capitalized as part of the construction cost in 2017 amounted to ₱9.7 million based on interest rates ranging from 3.00 to 5.00%, which are the interest rates of specific borrowings (Note 19). MCMI will be in full school operations starting July 2018.

In 2016, the Group reclassified construction equipments from Cost and Estimated Earnings in Excess of Billings on Uncompleted Contracts to Property and Equipment amounting to ₱17.8 million (nil in 2017)

15. Goodwill

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

	2017	2016
EEI Corporation and Subsidiaries	₱300,859,305	₱300,859,305
Malayan Education System, Inc. (MESI) (formerly Malayan Colleges, Inc.)	137,853,346	137,853,346
iPeople, inc.	32,644,808	32,644,808
	₱471,357,459	₱471,357,459

Goodwill of EEI Corporation and Subsidiaries and iPeople, Inc. (iPeople)

Management determined that the recoverable amount of the goodwill balances of EEI Corporation and Subsidiaries and iPeople were fair values less costs of disposal wherein the fair values are the quoted prices of the shares of stocks of EEI Corporation and Subsidiaries and iPeople in the Philippine Stock Exchange as of December 29, 2017 (Level 1 - Quoted prices in active market). Management assessed that the costs of disposal, which mainly consist of the stock transaction tax, brokers' commission and transaction fee with the stock exchange to be insignificant.



Goodwill of Malayan Education System, Inc. (MESI) (formerly Malayan Colleges, Inc.)

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

As of December 31, 2017 and 2016, the recoverable amount of the CGU has been determined based on a VIU calculation using five-year cash flow projections. Key assumptions in the VIU calculation of the CGU are most sensitive to the following:

- Future revenues and profit margins: Cash flow projections based on financial budgets approved by management covering a five-year period and considers the impact of the K to 12 Basic Education Program on MESI's financial performance effective 2016. Future revenues are estimated based on number of forecasted students and related tuition and other matriculation fees.
- Long-term growth rates (5.25% for 2017 and 2016): The long-term growth rate is the expected growth rate in the education industry sector.
- Discount rate (9.06% for 2017 and 8.40% for 2016): The discount rate used for the computation of the net present value is the weighted average cost of capital and was determined by reference to comparable entities.

Sensitivity to changes in assumptions

Management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of goodwill to materially exceed its recoverable amount.

16. Investment Properties

The rollforward analysis of this account follows:

	2017		
	Land Held for Capital Appreciation	Condominium Units and Parking Slots	Total
Cost			
Balances at beginning of year	₱194,030,421	₱24,507,418	₱218,537,839
Reversal of impairment	14,182,841	-	14,182,841
Reclassification	1,980,000	-	1,980,000
Disposals	(196,512,841)	(12,748,043)	(209,260,884)
Balances at end of year	13,680,421	11,759,375	25,439,796
Accumulated Depreciation			
Balances at beginning of year	-	12,103,242	12,103,242
Depreciation (Note 29)	-	979,946	979,946
Disposals	-	(6,358,895)	(6,358,895)
Balances at end of year	-	6,724,293	6,724,293
Net Book Value	₱13,680,421	₱5,035,082	₱18,715,503



	2016		
	Land Held for Capital Appreciation	Condominium Units and Parking Slots	Total
Cost			
Balances at beginning of year	₱204,422,291	₱52,391,054	₱256,813,345
Disposals	(10,391,870)	(27,883,636)	(38,275,506)
Balances at end of year	194,030,421	24,507,418	218,537,839
Accumulated Depreciation			
Balances at beginning of year	–	19,669,845	19,669,845
Depreciation (Note 29)	–	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	₱194,030,421	₱12,404,176	₱206,434,597

On December 11, 2017, the Group sold a parcel of land located in Batangas for ₱466.7 million. The Group recognized ₱272.4 million gain in relation to the sale (see Note 23).

Land classified as investment properties include parcels of land located in Benguet, Zamboanga, Cavite, Nueva Ecija, Bulacan and memorial lots in Las Piñas with carrying values of ₱6.3 million, ₱1.8 million, ₱0.5 million, ₱0.2 million, ₱2 thousand and ₱2.0 million, respectively, as of December 31, 2017. Carrying values of parcels of land located in Batangas, Benguet, Zamboanga, Cavite, Nueva Ecija, Bulacan and memorial lots in Las Piñas are ₱180.1 million, ₱6.3 million, ₱1.8 million, ₱0.5 million, ₱0.2 million, ₱2 thousand and ₱4.5 million, respectively, as of December 31, 2016.

Parcels of land in Benguet, Cavite, Nueva Ecija, Bulacan and memorial lots in Las Piñas has a fair value amounting to ₱13.9 million, ₱0.8 million, ₱5.1 million, ₱2.9 million and ₱3.0 million, respectively as of December 31, 2017, based on market transactions involving identical or comparable assets and adjusted to reflect any differences in the characteristics of the properties (Level 3 - Significant unobservable inputs).

The fair values of the aforementioned investment property were determined using the market approach which is a valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable assets and adjusted to reflect differences on size, location, frontage/visibility, view and utilization (Level 3 - Significant unobservable inputs).

The aggregate carrying values of the condominium units located in Taguig, Manila and Makati amounted to ₱4.0 million and ₱11.4 million as of December 31, 2017 and 2016, respectively. Parking slots located in Taguig and Pasig have carrying values amounting to ₱0.9 million and ₱1.0 million as of December 31, 2017 and 2016, respectively.

As of December 31, 2017 and 2016, the fair values of the condominium units and the parking slots amounted to ₱12.5 million and ₱18.7 million, respectively, based on market transactions involving identical or comparable assets and adjusted to reflect any differences in the characteristics of the properties (Level 3 - Significant unobservable inputs).

Rental income derived from the investment properties amounted to ₱6.9 million, ₱7.9 million, and ₱5.1 million in 2017, 2016 and 2015, respectively. Direct operating expenses incurred in relation to these investment properties amounted to ₱0.6 million, ₱0.3 million and ₱0.2 million in 2017, 2016 and 2015, respectively.



Proceeds from the disposal of investment properties amounted to ₱137.7 million, ₱54.1 million and ₱26.1 million in 2017, 2016 and 2015, respectively. Gain on sale of investment properties amounted to ₱279.1 million, ₱24.7 million and ₱5.4 million in 2017, 2016 and 2015, respectively (see Note 23).

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

17. Other Noncurrent Assets

This account consists of:

	2017	2016
Receivable from sale of investment property - net of current portion (Note 8)	₱252,642,633	₱-
Deferred input VAT	226,209,383	280,831,818
Receivable from customers - net of current portion (Note 8)	150,807,263	-
Receivable from EEI-RFI - net of current portion (Notes 8)	133,000,000	178,000,000
Computer software	13,476,188	13,772,672
Others	32,411,521	62,627,186
	₱808,546,988	₱535,231,676

Rollforward of computer software follows:

	2017	2016
Cost		
Balance at the beginning of the year	₱105,095,475	₱96,024,917
Additions	18,774,291	9,070,558
Balance at the end of the year	123,869,766	105,095,475
Accumulated Amortization		
Balance at the beginning of the year	91,322,803	80,233,089
Amortization (Note 29)	19,070,775	11,089,714
Balance at the end of the year	110,393,578	91,322,803
Net Book Value	₱13,476,188	₱13,772,672

As of December 31, 2017, the remaining amortization period of the software range from 4 months to 2 years.



18. Accounts Payable and Other Current Liabilities

This account consists of:

	2017	2016
Accounts payable	P4,241,886,166	P5,042,381,584
Deferred output taxes	573,701,211	465,390,153
Accrued expenses	335,267,975	293,063,159
Provisions	142,976,418	142,976,418
Withholding taxes and others	87,450,053	57,660,445
Output tax payable	17,855,181	138,489,300
Subscriptions payable	31,988,718	31,988,718
SSS and other contributions	28,716,373	26,677,549
Dividends payable	25,113,996	23,372,820
Chattel mortgage payable	12,156,245	15,531,566
Payable to Land Transportation Office	7,210,062	7,590,214
Deferred income	6,041,506	3,679,534
Payable to PTC	1,340,016	13,052,018
Others	74,472,242	72,025,693
	P5,586,176,162	P6,333,879,171

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:

	2017	2016
Accrued salaries and wages	P125,239,867	P25,481,445
Accrued insurance	35,616,733	31,941,963
Accrued professional fees	14,271,684	10,204,807
Accrued interest	11,002,531	12,864,670
Accrued security services	10,447,373	12,479,188
Accrued rent	9,814,754	38,459,033
Accrued utilities	3,613,796	3,608,160
Others	125,261,237	158,023,894
	P335,267,975	P293,063,159

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



On January 22, 2008, MCLI entered into a memorandum of agreement with PTC (MOA with PTC) to jointly establish the Mapua-PTC CMET. It shall be housed and be a part of MCLI and shall be composed of at least five departments enumerated as follows:

- 1) Department of Marine Engineering;
- 2) Department of Maritime Transportation;
- 3) Department of Naval Architecture and Marine Engineering;
- 4) Department of Ship Management; and
- 5) Department of Shipping Policy Studies.

The parties agree that the operation and management of Mapua-PTC CMET shall be under the auspices of MCLI and that the parties shall execute both an Operations and Management Agreement to operate the educational activities and general administrative functions of the Mapua-PTC CMET.

MCLI shall be responsible for establishing academic, faculty, student and academic services policies and the enforcement thereof, as well as provide overall administrative control and supervision of all school personnel, faculty and engaged service providers.

All properties acquired under the project shall be equally owned by the PTC and MCLI unless otherwise borrowed or leased by MCLI for the Mapua-PTC CMET or donated with preconditions imposed by third parties on Mapua-PTC CMET.

All net income or losses which results from the operation of the Mapua-PTC CMET shall be shared and distributed equally on a 50%-50% basis between MCLI and PTC.

In 2015, the parties agreed that the above agreement shall continue for the next five (5) years unless earlier terminated by either party evidenced by the Memorandum of Agreement executed on September 16, 2015. As of December 31, 2015, the agreement was accounted for as jointly controlled operations.

The movements in dividends payable for the years ended December 31 follow:

	2017	2016
Beginning of year	₱23,372,820	₱23,816,753
Dividend declared	123,299,414	218,796,878
Dividend paid	(121,558,238)	(219,240,811)
End of year	₱25,113,996	₱23,372,820

Service Agreement

On January 12, 2016, MCLI amended the MOA with PTC to terminate the jointly-controlled operations effective December 31, 2015. On the same date, a service agreement was executed between MCLI and PTC to support the services to be rendered by PTC related to Mapua-PTC CMET such as the provision of adequate facilities for the conduct of training requirements of the students, support in scholarship programs and ship-board trainings, and support in obtaining grants and donations from international shipping companies.



In consideration for the above services, PTC will bill MCLI a service fee commensurate to the services. PTC charged service fee amounting to ₱1.11 million and ₱1.89 million in 2017 and 2016, respectively.

Other noncurrent liability pertains to the noncurrent portion of the deferred output tax that are expected to be collected amounting to ₱158.4 million and ₱139.0 million as of December 31, 2017 and 2016, respectively, beyond 1 year from the end of reporting period.

19. Loans Payable

This account consists of:

	2017	2016
Loans payable (Note 22)		
Unsecured bank loans	₱7,685,000,000	₱3,600,000,000
Secured bank loans	-	500,000,000
	<u>₱7,685,000,000</u>	<u>₱4,100,000,000</u>

Unsecured

Unsecured bank loans are obtained from local banks and related party financial institutions with annual interest rates ranging from 2.50% to 4.00% and 2.50% to 3.27% in 2017 and 2016, respectively. The Group availed loans amounting to ₱892.0 million specifically for the acquisition of a parcel of land in Makati City and loans amounting to ₱940 million specifically for the construction of MCMI school building in Davao (Note 14).

Secured

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

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

	2017	2016
Beginning balance	₱4,100,000,000	₱4,160,000,000
Availment	13,127,000,000	12,470,000,000
Payments	(9,542,000,000)	(12,530,000,000)
Ending balance	<u>₱7,685,000,000</u>	<u>₱4,100,000,000</u>



20. Long-term Debt

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

	2017	2016
<i>Parent Company</i>		
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%	P578,830,550	P631,847,726
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	578,830,550	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	300,000,000	400,000,000
<i>EEI</i>		
Fixed-rate corporate promissory notes with interest rate of 4.80% per annum	875,000,000	1,089,285,714
<i>EEI Power</i>		
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.	339,285,714	410,714,285
	2,671,946,814	3,163,695,450
Less current portion of long-term debt	491,865,198	491,748,610
	P2,180,081,616	P2,671,946,840

Parent Company

On September 17, 2013, the Parent Company obtained interest-bearing loans from various local commercial banks which were executed through individual loan agreements with chattel mortgage. Each interest-bearing loan has a term of ten years. Fifty percent (50%) of the total loan will be paid on the 10th year, while the remaining 50% of the loan, inclusive of a three (3) year grace period on principal payment, will be paid in 28 quarterly 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.

On December 16, 2015, the Parent Company acquired from BPI loan amounting ₱500.0 million, payable within five (5) years. The proceeds of the loan were used for general financing requirements and working capital purposes.

In 2017, the Parent Company's creditors released all of the former's deed of collateral on its long-term debt (Note 13).

EEI

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% starting May 26, 2015 until maturity. The promissory notes mature within seven (7) years from the date of issuance.

On June 15, 2015, the Parent Company received ₱1,000.0 million proceeds from the issuance of an unsecured fixed-rate corporate promissory note to a local bank that bears annual interest of 4.8%. The promissory note matures within seven (7) years from the date of issuance.

The proceeds from the promissory notes were used for general corporate and project financing requirements.

Interest expense incurred on these corporate notes amounted to ₱37.4 million, ₱47.9 million and ₱40.1 million in 2017, 2016 and 2015, respectively.

EEI Power Corporation

On August 28, 2015, EEI Power availed a ₱500.0 million long-term loan from a local bank that bears an annual interest of 4.8%. The loan is payable in equal quarterly installments and will mature on August 27, 2022.

Interest expense incurred on these corporate notes amounted to ₱18.6 million, ₱23.0 million and ₱26.6 million in 2017, 2016 and 2015, respectively. (see Note 30).

Movements in the account follow:

	2017	2016
Balance at beginning of year	₱3,163,695,450	₱3,762,359,243
Payments	(494,446,885)	(601,397,435)
Amortization of transaction costs	2,698,249	2,733,642
Balance at end of year	2,671,946,814	3,163,695,450
Less current portion	(491,865,198)	(491,748,610)
	<u>₱2,180,081,616</u>	<u>₱2,671,946,840</u>

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



21. EEI's Stock Option Plan

The EEI's stock option plan, as amended (Amended Plan), had set aside 35 million common shares for stock options available to regular employees, officers and directors of the Parent Company and its subsidiaries.

Under the Amended Plan, the option or subscription price must be equal to the book value of the EEI's common stock but not less than 80% of the average market price quoted in PSE for five trading days immediately preceding the grant, but in no case less than the par value. The option or subscription price should be paid over a period of five years in 120 equal semi-monthly installments. Shares acquired under the Amended Plan are subject to a holding period of one year.

A summary of the plan availments is shown below.

	Number of Shares
Shares allocated under the Original Stock Option Plan	19,262,500
Shares allocated under the Amended Stock Option Plan	15,737,500
<u>Total shares allocated</u>	<u>35,000,000</u>
Shares subscribed under the Original Stock Option Plan	19,365,815
Shares subscribed under the Amended Stock Option Plan	10,886,188
<u>Total shares subscribed</u>	<u>30,252,003</u>
<u>Shares allocated at end of year</u>	<u>4,747,997</u>

EEI opted to avail the exemption in PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards*, from applying PFRS 2 upon adoption on January 1, 2005 as it allows non-adoption of PFRS 2 for equity instruments that were granted on or before November 7, 2002. Since 2000, there were no shares under the stock option plan that were granted, forfeited, exercised and expired.

No benefit expense is recognized relative to the shares issued under the stock option plan. When options are exercised, these are treated as capital stock issuances. The stock option plan is exempt from PFRS 2.



22. Related Party Transactions

The year-end balances and transactions with respect to related parties included in the consolidated financial statements are as follows (amounts in thousands):

Category	2017			
	Amount/ Volume	Outstanding Balance Receivable (Payable)	Terms	Conditions
Parent Company -				
PMMIC				
a. Accounts payable	₱1,701	₱-	Noninterest-bearing	Unsecured
Miscellaneous expenses incurred	1,489	-	-	-
b. Dividends payable	-	(981)	Noninterest-bearing	Unsecured
Dividends declared	27,798	-	-	-
Associates				
c. Dividends receivable	-	10,000	Noninterest-bearing	Unsecured, no impairment
Dividends earned	41,260	-	-	-
d. Receivables from related parties	-	3,001	Noninterest-bearing	Unsecured
Rendering management and audit services	7,186	-	-	-
e. Subscriptions payable	-	(9,735)	Noninterest-bearing	Unsecured
Other affiliates				
f. Receivable from EEI Retirement Fund, Inc.	-	178,000	Interest-bearing, 5% per annum	Secured, no impairment
Lease of property	54,698	-	-	-
Interest earned	9,750	-	-	-
Entities under common control				
g. Cash and cash equivalents	1,791,036	1,791,036	Interest-bearing at prevailing bank deposit rates	Unrestricted
Interest earned	19,550	-	-	-
h. Accounts receivable	-	133,177	Noninterest-bearing	Unsecured, no impairment
Sale of vehicles	125,729	-	-	-
Agency fee income earned	45,816	-	-	-
i. Dividends receivable	-	300	Noninterest-bearing	Unsecured, no impairment
Dividends earned	743	-	-	-
j. Commission receivable	-	382	Noninterest-bearing	Unsecured, no impairment
Commission earned	1,303	-	-	-
k. Receivables from related parties	-	152,101	Noninterest-bearing	Unsecured, no impairment
Rendering janitorial service	364,966	-	-	-
Other income earned	3,411	-	-	-
Rental income earned	257	-	-	-
Audit fee income earned	3,611	-	-	-
l. Management fee receivable	-	32,035	Noninterest-bearing	Unsecured, no impairment
Rendering management services	142,427	-	-	-



2017				
Category	Amount/ Volume	Outstanding Balance Receivable (Payable)	Terms	Conditions
m. Accounts payable and accrued expenses	-	(179)	Noninterest-bearing	Unsecured
Rental of office space	6,620	-	-	-
n. Due to related parties	-	(124,038)	Noninterest-bearing	Unsecured
Insurance expense	7,745	-	-	-
2016				
Category	Amount/ Volume	Outstanding Balance Receivable (Payable)	Terms	Conditions
Parent Company - PMMIC				
a. Accounts payable	P1,627	(P223)	Noninterest-bearing	Unsecured
Miscellaneous expenses incurred	1,484	-	-	-
b. Dividends payable	-	(929)	Noninterest-bearing	Unsecured
Dividends declared	28,019	-	-	-
Associates				
c. Dividends receivable	-	-	Noninterest-bearing	Unsecured, no impairment
Dividends earned	33,135	-	-	-
d. Receivables from related parties	-	4,109	Noninterest-bearing	Unsecured
Rendering management and audit services	8,590	-	-	-
e. Subscriptions payable	-	(9,735)	Noninterest-bearing	Unsecured
Other affiliates				
f. Receivable from EEI Retirement Fund, Inc.	-	223,266	Interest-bearing, 5% per annum	Secured, no impairment
Lease of property	52,093	-	-	-
Interest earned	11,928	-	-	-
Entities under common control				
g. Cash and cash equivalents	2,137,076	2,137,076	Interest-bearing at prevailing bank deposit rates	Unrestricted
Interest earned	20,856	-	-	-
h. Accounts receivable	-	46,275	Noninterest-bearing	Unsecured, no impairment
Sale of vehicles	39,940	-	-	-
Agency fee income earned	40,588	-	-	-
i. Dividends receivable	-	30,116	Noninterest-bearing	Unsecured, no impairment
Dividends earned	52,770	-	-	-
j. Commission receivable	-	-	Noninterest-bearing	Unsecured, no impairment
k. Receivables from related parties	-	50,263	Noninterest-bearing	Unsecured, no impairment
Rendering janitorial service	329,457	-	-	-
Other income earned	2,239	-	-	-
Rental income earned	10,975	-	-	-
Audit fee income earned	3,433	-	-	-



2016				
Category	Amount/ Volume	Outstanding Balance Receivable (Payable)	Terms	Conditions
i. Management fee receivable	P-	P12,580	Noninterest-bearing	Unsecured, no impairment
Rendering management services	119,945	-	-	-
m. Accounts payable and accrued expenses	-	(5,092)	Noninterest-bearing	Unsecured
Rental of office space	6,048	-	-	-
n. Due to related parties	-	(127,809)	Noninterest-bearing	Unsecured
Insurance expense	6,372	-	-	-
o. Loans payable	600,000	-	Interest-bearing; 5.5% to 6.5% per annum	Secured
Interest expense	1,558	-	-	-
p. Long-term debt (including current portion of long-term debt)	188,500	-	Interest-bearing, 6.00% per annum (EEI); 10-year, interest at 3-mo. PDST-F plus spread per quarter (iPeople)	Secured
Interest expense	4,516	-	-	-

Parent Company - PMMIC

- a. Accounts payable to PMMIC pertains to unpaid expenses on shared costs such as legal expenses which are included under "Miscellaneous expense". Accounts payable to PMMIC as at December 31, 2017 and 2016 amounted to nil and P0.2 million, respectively.
- b. Dividends declared in 2017 and 2016 by the Parent Company amounted to P63.1 million and P63.7 million, respectively (see Note 39). Out of the total declared dividends, dividends payable to PMMIC as at December 31, 2017 and 2016 amounted to P1.0 million and P0.9 million, respectively.

Associates

- c. Outstanding dividends receivable from associates as at December 31, 2017 and 2016 amounted to P10.0 million and nil, respectively.
- d. Due from related parties arises from services rendered by the Parent Company to its associates. These services include management consultancy and internal audit fees. As at December 31, 2017 and 2016, the Group has an outstanding receivable from its associates amounting P3.0 million and P4.2 million, respectively. Management fee income charged to associates is fixed per month while audit fee income depends on the audit engagement letter agreed by both parties.
- e. Outstanding subscription payable to an associate amounted to P9.7 million as at December 31, 2017 and 2016, respectively.

Other affiliates

- f. In 2006, the EEI sold parcels of land to EEI Retirement Fund, Inc. (EEI-RFI), a trustee of the EEI employees retirement fund. EEI-RFI is managed by RCBC Trust and Investment Division. The parcels of land sold are located in Manggahan, Quezon City and Bauan, Batangas (see Note 16). Interest income recognized from the receivables from EEI-RFI is disclosed in Note 23. The receivables bear interest of 5% per annum in 2017, 2016 and 2015.



Starting January 2007, EEI and EEI-RFI entered into operating lease agreements for the said land and improvements. The terms are for one year and renewable at the option of EEI provided that for each and every renewal, the monthly rentals shall be increased upon mutual agreement of both parties. Rental expense for the property located in Manggahan, Quezon City amounted to ₱54.7 million, ₱52.1 million and ₱49.6 million for the years ended December 31, 2017, 2016 and 2015, respectively (see Note 28).

On December 12, 2012, EEI acquired certain parcels of land including land improvements located in Bauan, Batangas from EEI-RFI amounting to ₱581.8 million, inclusive of 12% VAT. The operating lease agreement of the said properties between EEI and EEI-RFI was terminated on the same date.

In 2013, the receivable from the EEI-RFI amounting to ₱390.0 million was restructured and reclassified to other noncurrent assets with fixed 5% interest rate per annum. In 2016, EEI and the Fund agreed to extend the term of the payment until April 30, 2021.

Entities under common control of PMMIC

- g. The Group maintains cash and cash equivalents with RCBC, an entity under common control. As at December 31, 2017 and 2016, cash and cash equivalents with RCBC amounted to ₱1,791.0 million and ₱2,137.1 million, respectively. The related deposits earn interest at the prevailing bank deposit rates. Interest income earned from cash and cash equivalents amounted to ₱19.6 million, ₱20.9 million and ₱15.6 million in 2017, 2016 and 2015, respectively.
- h. The Group generates income by providing security services at a 20% mark-up to entities under common control. In 2017, 2016 and 2015, the Group's agency fee income is attributable to security services provided to majority of RCBC branches in the country. As at December 31, 2017 and 2016, the Group's accounts receivable from RCBC amounted to ₱43.6 million and ₱40.7 million, respectively. Agency fees amounted to ₱45.8 million, ₱40.6 million and ₱32.1 million in 2017, 2016 and 2015, respectively.

The Group sold vehicle units to various entities under common control of PMMIC with terms ranging from 30-60 days. The outstanding receivable from the sale amounted to ₱89.5 million and ₱5.6 million as at December 31, 2017 and 2016, respectively. Revenues from motor vehicle sales amounted to ₱125.7 million, ₱39.9 million and ₱26.0 million in 2017, 2016 and 2015, respectively.

- i. Dividend income earned in 2017, 2016 and 2015 from entities under common control of PMMIC amounted to ₱0.7 million, ₱52.8 million and ₱43.2 million, respectively. Unpaid dividends amounted to ₱0.30 million and ₱30.1 million as at December 31, 2017 and 2016, respectively.
- j. The Group earns commission income from insurance referrals to all insurance affiliate. As at December 31, 2017 and 2016, commission receivables amounted to ₱0.38 million and nil. Commission income amounted to ₱1.3 million, nil and ₱0.4 million in 2017, 2016, and 2015, respectively.



- k. Due from entities under common control of PMMIC arises from RCBC's rental of the Group's office spaces in its Makati and Intramuros properties. The term of the lease is for three years and future minimum rental payments receivable under the aforementioned lease agreement follows (see Note 34):

	2017	2016
Within one (1) year	₱1,967,496	₱1,814,043
More than 1 year but not more than 5 years	3,763,169	9,126,110
	₱5,730,665	₱10,940,153

In 2015, RCBC preterminated a portion of lease on the Group's office space and parking spaces effective December 31, 2015.

Rental income earned amounted to ₱0.3 million, ₱11.0 million and ₱25.4 million in 2017, 2016 and 2015, respectively.

Also receivable from related parties arises from janitorial services rendered by EEI (GAMSI) to the Group's affiliates. The service revenue earned from janitorial services rendered in 2017, 2016 and 2015 amounted to ₱365.0 million, ₱329.5 million and ₱175.3 million, respectively.

- l. One of the subsidiaries entered into various agreements with entities under common control to perform property and project management services. Receivable from this transaction is accounted under "Management fee receivable". The Group's outstanding receivable from property and project management fees amounted to ₱32.0 million and ₱12.6 million as at December 31, 2017 and 2016, respectively. Services fees amounted to ₱142.4 million, ₱119.9 million and ₱111.4 million in 2017, 2016 and 2015, respectively.
- m. Payable to an entity under common control pertains to rental of office space and share in the utilities expense of the Group amounting ₱0.1 million and ₱5.1 million as at December 31, 2017 and 2016, respectively.
- n. iPeople obtains property and personnel insurance from its affiliated insurance company, Malayan Insurance Company, Inc. (MICO). Insurance contract coverage pertains to Group's fire, accident, group and other insurance policies.
- o. In 2016 the Group entered into various loan agreements with entities under common control of PMMIC. The loan agreement bears an annual interest ranging 2.50%-3.00%. There is no outstanding loan balance as at December 31, 2017 and 2016.

The Group maintains its retirement fund with RCBC trust division. As at December 31, 2017 and 2016, the fair values of the plan assets of the retirement fund amounted to ₱1,266.4 million and ₱1,202.1 million, respectively (see Note 31). Trust fees amounting to ₱5.2 million, ₱5.0 million and ₱4.8 million were recognized by the retirement plan arising from its transactions with RCBC for the years ended December 31, 2017, 2016 and 2015, respectively.

Remuneration of key management personnel

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

	2017	2016	2015
Compensation and short-term benefits	₱262,665,060	₱263,788,022	₱225,869,767
Post-employment benefits	14,038,849	45,790,605	41,643,895
	₱276,703,909	₱309,578,627	₱267,513,662



Terms and conditions of transactions with related parties

Outstanding balances at year-end are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. These mainly consist of advances and reimbursement of expenses. The Group has not recognized any impairment on amounts due from related parties for the years ended December 31, 2017 and 2016. This assessment is undertaken each financial year through a review of the financial position of the related party and the market in which the related party operates.

23. Other Income - Net

This account consists of:

	2017	2016	2015
Gain on sale of assets	₱346,566,455	₱91,968,482	₱44,092,390
Finance income	227,814,636	122,007,715	117,797,953
Commission income	109,930,063	98,840,187	65,556,704
Income from reversal of payables	78,506,494	10,781,594	56,139,471
Interest income	71,659,747	77,124,698	42,741,377
Insurance income	23,772,634	15,127,483	14,400,737
Rental income	12,791,720	13,434,051	5,141,355
Space and car rentals	7,968,814	6,900,920	15,252,284
Recoveries from previously written-off receivables	4,241,071	787,826	535,714
Tax refund/discount	2,826,869	14,791,234	5,701,647
Income from defaults	—	7,558,561	6,900,718
Loss on liquidation of subsidiaries	—	(26,174,418)	—
Foreign exchange loss	(11,827,606)	(65,119)	(28,480,960)
Miscellaneous	46,688,442	43,141,887	47,516,701
	₱920,939,339	₱476,225,101	₱393,296,091

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

	2017	2016	2015
Available-for-sale securities (Note 12)	₱58,680,807	₱63,041,964	₱34,587,159
Property and equipment (Note 14)	8,813,780	4,179,887	4,115,025
Investment properties (Note 16)	279,071,868	24,746,631	5,390,206
	₱346,566,455	₱91,968,482	₱44,092,390

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:

	2017	2016	2015
Installment contract receivable	₱40,532,658	₱35,754,791	₱5,826,784
Savings deposit and short-term investments (Note 6)	17,310,166	27,272,071	15,821,488
Receivable from EEI-RFI (Notes 8, 17 and 22)	9,749,504	11,928,075	16,269,348
Others	4,067,419	2,169,761	4,823,757
	₱71,659,747	₱77,124,698	₱42,741,377



In 2017, 2016 and 2015, certain payables that were long-outstanding amounting to ₱78.5 million and ₱10.8 million and ₱65.6 million, respectively, were written-off and recognized as other income. Based on management's assessment, the settlement of these payables are remote.

In 2016, the Group wrote-off dormant and closed subsidiaries and recognized a loss of ₱26.2 million. The loss mainly pertains to the reclassification of cumulative translation adjustment relating to EEI Corporation (Singapore) Pte. Ltd. previously taken up in other comprehensive income to profit or loss.

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

24. Costs of Sales and Services

This account consists of:

	2017	2016	2015
Cost of services (Note 26)			
Cost of construction contracts	₱11,364,201,342	₱12,126,749,307	₱15,815,224,731
Cost of manpower and other services	1,543,838,972	1,366,858,357	1,375,022,345
	12,908,040,314	13,493,607,664	17,190,247,076
Cost of goods sold			
Cost of merchandise sold (Note 25)	10,081,613,087	7,325,372,012	₱6,624,241,728
Cost of real estate sold (Note 10)	27,140,904	13,935,705	5,605,693
	10,108,753,991	7,339,307,717	6,629,847,421
Cost of tuition and other fees (Note 27)	1,286,658,343	1,300,042,918	1,213,004,494
	₱24,303,452,648	₱22,132,958,299	₱25,033,098,991

25. Cost of Merchandise Sold

This account consists of (Notes 10 and 24):

	2017	2016	2015
Inventory, beginning	₱1,249,249,386	₱998,419,786	₱700,949,453
Purchases	9,628,244,033	7,569,405,400	6,913,278,378
Total goods available for sale	10,877,493,419	8,567,825,186	7,614,227,831
Less inventory end	809,783,825	1,249,249,386	998,419,786
Cost of inventories sold	10,067,709,594	7,318,575,800	6,615,808,045
Personnel expenses	8,952,762	4,291,512	5,140,442
Others	4,950,731	2,504,700	3,293,241
	₱10,081,613,087	₱7,325,372,012	₱6,624,241,728



26. Cost of Services

	2017	2016	2015
Cost of construction contracts (Note 24)			
Labor	₱4,216,532,653	₱5,119,261,703	₱5,174,228,370
Equipment costs and others	4,374,623,075	3,960,863,198	5,337,771,601
Materials	2,301,357,788	2,563,588,392	4,929,459,011
Depreciation and amortization (Notes 14 and 29)	471,687,826	483,036,014	373,765,749
	11,364,201,342	12,126,749,307	15,815,224,731
Cost of manpower and other services (Note 24)			
Personnel expenses	666,803,169	583,300,152	543,733,370
Materials	293,155,154	400,031,702	334,482,758
Parts and accessories	218,368,775	162,178,505	261,413,532
Depreciation and amortization (Notes 14 and 29)	58,781,486	46,535,401	44,587,611
Others	306,730,388	174,812,597	190,805,074
	1,543,838,972	1,366,858,357	1,375,022,345
	₱12,908,040,314	₱13,493,607,664	₱17,190,247,076

27. Cost of Tuition and Other Fees

This amount consists of (Note 24):

	2017	2016	2015
Personnel expenses	₱575,949,480	₱602,806,069	₱567,465,887
Depreciation and amortization (Notes 14, 17 and 29)	194,640,246	190,097,703	160,594,643
Student-related expenses	144,837,520	146,784,618	135,548,101
Management and other professional fees	113,628,794	106,690,199	96,336,053
Utilities	81,734,815	85,398,299	86,155,036
Tools and library books	30,198,284	26,008,973	26,466,324
Periodicals	19,665,658	15,625,679	14,270,775
Seminar	18,995,992	14,250,241	13,096,019
Research and development fund	17,303,387	16,303,676	5,752,585
Advertising	16,659,662	24,338,283	34,865,972
Repairs and maintenance	12,251,634	13,688,679	12,435,522
Accreditation cost	7,242,083	9,483,202	18,055,589
Office supplies	6,944,143	5,779,015	6,392,718
Insurance	6,619,921	5,149,653	4,693,815
Laboratory supplies	6,565,801	7,865,267	8,607,529
Taxes and licenses	1,800,770	2,003,163	1,841,180
Transportation and travel	1,144,372	876,604	1,189,466
Rent	624,492	945,095	1,932,042
Entertainment, amusement and recreation	387,474	327,857	356,927
Miscellaneous	29,463,815	25,620,643	16,948,311
	₱1,286,658,343	₱1,300,042,918	₱1,213,004,494



28. General and Administrative Expenses

This account consists of:

	2017	2016	2015
Personnel expenses (Note 31)	₱922,969,345	₱853,867,893	₱701,851,720
Rent, light and water	205,458,195	193,916,894	181,344,130
Depreciation and amortization (Notes 14, 16 and 29)	197,326,820	181,836,637	177,424,770
Advertising and promotions	163,180,208	76,698,091	60,863,485
Taxes and licenses	151,900,821	122,719,124	108,894,289
Entertainment, amusement and recreation	87,252,976	92,620,687	80,419,727
Transportation and travel	79,323,189	73,794,310	69,158,000
Professional fees	66,784,730	72,946,736	59,459,483
Securities and utilities	66,642,740	60,806,777	31,461,266
Direct expenses	60,587,733	40,434,457	31,854,778
Commissions	29,856,401	25,820,748	28,224,142
Repairs and maintenance	28,407,620	29,727,429	40,931,647
Management and other fees	25,277,692	78,322,882	71,927,563
Provision for inventory obsolescence (Note 10)	25,646,369	3,010,000	-
Office expenses	21,157,909	25,625,855	19,108,467
Insurance	19,094,768	22,542,484	12,775,130
Provision for probable losses on loans and accounts receivables (Notes 8 and 22)	9,265,418	12,150,289	36,500,018
Donations and contributions	12,232,541	18,762,449	15,570,380
Seminars	1,100,338	3,782,758	2,419,576
Provision for impairment (Notes 7, 8 and 22)	1,000,000	2,542,324	5,638,517
Accreditation cost	-	-	1,069,499
Miscellaneous	145,488,675	108,623,277	53,832,512
	₱2,319,954,488	₱2,100,882,227	₱1,790,729,099

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

Below are the details of net provision for (recovery of) probable losses on loans receivable and accounts receivable (Notes 7 and 8):

	2017	2016	2015
Provision			
Loans receivable	₱380,000	₱542,324	₱250,000
Accounts receivable	8,885,418	15,241,699	28,598,257
	₱9,265,418	15,784,023	28,848,257
Reversals	-	(3,633,734)	(6,000,000)
Direct write-off	-	-	13,651,761
	₱9,265,418	₱12,150,289	₱36,500,018



29. Depreciation and Amortization

This account consists of depreciation and amortization included in (Notes 14, 16 and 17):

	2017	2016	2015
Cost of sales and services			
Construction contracts (Note 26)	₱471,687,826	₱483,036,014	₱373,765,749
Tuition and other fees (Note 27)	194,640,246	190,097,703	160,594,643
Manpower and other services (Note 26)	58,781,486	46,535,401	44,587,611
Capitalized as part of cost of inventories	622,472	165,063	-
	725,732,030	719,834,181	578,948,003
General and administrative expenses (Note 28)	197,326,820	181,836,637	177,424,770
	₱923,058,850	₱901,670,818	₱756,372,773

30. Interest and Finance Charges

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

	2017	2016	2015
Long-term debt (Note 20)	₱140,746,490	₱172,484,833	₱174,147,888
Loans payable (short-term) (Note 19)	129,504,172	125,251,727	104,649,568
Advances to affiliates and other finance charges (Note 22)	5,817,327	3,065,671	719,132
	₱276,067,989	₱300,802,231	₱279,516,588

31. Retirement Plan

The Group has funded, noncontributory retirement plans (the Plans) for all of its regular employees, in compliance with Republic Act No. 7641, The New Retirement Pay Law. The Plans provide for normal, early retirement, death and disability benefits. The most recent actuarial valuation was made for the Group's retirement plans as of December 31, 2017.

The following tables summarize the components of the benefit expense recognized in the consolidated statements of comprehensive income and amounts recognized in the consolidated statements of financial position for the retirement plans.

	2017	2016
Retirement liabilities	₱148,565,857	₱147,815,273
Retirement assets	46,490,063	39,949,093
Net retirement liabilities	102,075,794	107,866,180
Net retirement expenses	127,143,113	135,278,067



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

	2017	2016	2015
Current service cost	₱118,273,222	₱120,966,325	₱111,163,939
Net interest cost	5,398,656	9,779,168	5,119,705
Past service cost	3,471,235	4,532,574	—
	₱127,143,113	₱135,278,067	₱116,283,644

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

<i>Net retirement liabilities</i>	2017	2016
Present value of defined benefit obligation	₱1,224,062,916	₱1,185,448,720
Fair value of plan assets	(1,075,497,059)	(1,037,633,447)
	₱148,565,857	₱147,815,273

<i>Net retirement assets</i>	2017	2016
Present value of defined benefit obligation	₱144,370,458	₱124,555,815
Fair value of plan assets	(190,860,521)	(164,504,908)
	(₱46,490,063)	(₱39,949,093)

The movements in the net retirement liability follow:

	2017	2016
At beginning of year	₱107,866,180	₱200,598,488
Contributions paid	(142,687,290)	(178,351,651)
Net retirement expense	127,143,113	135,278,067
Transfer from affiliate	8,296,383	—
Remeasurement loss (gain)	2,400,238	(49,658,724)
Withdrawal of plan asset	952,187	—
Adjustment to defined benefit obligation	(1,895,017)	—
At end of the year	₱102,075,794	₱107,866,180

In 2017, plan assets of PEC and PPCCI amounting to ₱0.73 million and ₱0.22 million, respectively, were withdrawn. It was determined that there were no employees qualified to receive benefits due under the retirement plan.

Movement of cumulative remeasurement effect recognized in OCI:

	2017	2016
Balance at beginning of year	(₱67,417,479)	(₱117,076,203)
Remeasurement gain (loss)	(2,400,238)	49,658,724
Total amounts recognized in OCI	(₱69,817,717)	(₱67,417,479)



The movements in the present value of defined obligation follow:

	2017	2016
Balance at beginning of year	P1,310,004,535	P1,282,411,658
Current service cost	118,273,222	120,966,325
Interest cost on obligation	68,413,090	64,999,233
Transfers from affiliates	8,296,381	-
Past service cost	3,471,235	4,532,574
Reversal	(1,733,630)	-
Remeasurement loss (gain)	(8,630,231)	(46,548,478)
Benefits paid	(129,661,228)	(116,356,777)
Balance at end of year	P1,368,433,374	P1,310,004,535

The movements in the fair value of plan assets follow:

	2017	2016
Balance at beginning of year	P1,202,138,355	P1,081,813,169
Contributions	142,687,290	178,351,651
Remeasurement gain (loss)	(11,030,471)	3,110,247
Asset return in net interest cost	63,014,434	55,220,065
Benefits paid	(129,661,228)	(116,356,777)
Adjustments to plan assets	161,387	-
Withdrawal of plan assets	(952,187)	-
Balance at end of year	P1,266,357,580	P1,202,138,355

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

	2017	2016
Cash	P108,883,832	P129,567,801
Investment in government securities	806,978,215	785,176,635
Investments in shares of stock	316,087,132	242,929,940
Investments in other securities and debt instruments	26,259,164	32,762,151
Interest receivables and other receivables	10,268,579	13,060,606
Accrued trust fees and other payables	(2,119,342)	(1,358,778)
	P1,266,357,580	P1,202,138,355

The Group expects to contribute P153.1 million to its defined benefit pension plans in 2018.

The Retirement fund (Fund) of the Group is being maintained and managed, in trust, by RCBC Trust and Investment Group (TIG), an affiliate financial institution.

Trust fees paid in 2017, 2016 and 2015 amounted to P5.2 million, P5.0 million and P4.8 million, respectively.



The composition of the fair value of the trust fund includes:

Investment in government securities - include investment in Philippine Retail Treasury Bonds (RTBs) and Fixed Rate Treasury Notes (FXTNs).

Cash - include savings and time deposit with affiliated bank and special deposit account with Bangko Sentral ng Pilipinas (BSP SDA).

Investment in equity securities - include investment in common and preferred shares traded in the Philippine Stock Exchange.

Investment in debt and other securities - include investment in long-term debt notes and retail bonds.

Interest and other receivables - pertain to interest and dividends receivable on the investments in the fund.

In 2017, the Fund has investment in equity securities of related parties with fair values and accumulated gain of ₱114.7 million and ₱84.8 million, respectively.

The voting rights of the above equity securities were assigned to RCBC TIG, being the investment manager who manages and administers the investments and reinvestments of the fund.

The principal actuarial assumptions used in determining retirement expense are as follows:

	2017	2016
Discount rate		
Beginning	5.15%-5.67%	4.74%-5.94%
End	4.70%-5.74%	5.00%-5.67%
Future salary increases		
Beginning	3.00%-6.00%	3.75%-6.00%
End	3.00%-6.00%	3.00%-6.00%

The sensitivity analysis that follows has been determined based on reasonably possible changes of each significant assumption on the retirement benefit obligation as of the end of financial reporting date, assuming all other assumptions were held constant.

	2017		2016	
	Increase (decrease)	Effect on defined benefit obligation	Increase (decrease)	Effect on defined benefit obligation
Discount rates	+50bps to +100bps	(₱252,519,470)	+50bps to +100bps	(₱64,059,246)
	-50bps to -100bps	293,610,468	-50bps to -100bps	68,001,668
Salary increase rates	+50bps to +100bps	350,575,254	+50bps to +100bps	124,130,572
	-50bps to -100bps	(304,513,412)	-50bps to -100bps	(121,461,227)



32. Income Taxes

The reconciliation of the income tax computed at the statutory tax rate to the provision for income tax shown in the consolidated statements of income follows:

	2017	2016	2015
Income before income tax	30.00%	30.00%	30.00%
Add (deduct) reconciling items:			
Movement of deferred income tax assets not recognized	-	(30.10)	(1.30)
Equity in net earnings of associates and joint venture	(12.57)	71.55	9.44
Income subject to lower tax rate and others	3.87	(8.69)	(9.45)
	21.30%	62.76%	28.69%

All companies in the Group are subject to the RCIT rate of 30%, except for MESI, MITC, MHSSI and MCLI, which are subject to a lower tax rate of 10%.

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

	2017	2016
Net deferred income tax assets on a per subsidiary level:		
Accrued retirement expense	P57,461,046	P53,732,226
Capitalized borrowing cost	(1,299,070)	-
Allowance for doubtful accounts, inventory, obsolescence and other expenses	29,667,448	32,594,548
Accrued rent	6,008,209	8,737,263
NOLCO	9,603,201	8,003,631
MCIT	2,673,630	15,336,854
Unrealized foreign exchange loss	(38,284)	(231,385)
Others	(258,488)	2,626,914
	P103,817,692	P120,800,051
Net deferred income tax liabilities on a per subsidiary level:		
Revaluation increment on land	P436,393,387	P384,222,756
Retirement liability	17,494,839	(8,587,961)
Accrued retirement expense	(12,998,480)	-
NOLCO	(1,363,083)	-
Allowance for doubtful accounts, inventory obsolescence and other expenses	(5,050,115)	(7,361,169)
Accrued expenses	(8,525,245)	(6,628,740)
Others	(13,094,898)	(2,751,936)
	P412,856,405	P358,892,950



The movements of the Group's net deferred tax liabilities follow:

	2017	2016
Beginning	₱238,092,899	₱138,366,836
Provisions during the year	7,057,293	23,920,309
Tax effects of:		
Revaluation increment on land (Note 14)	58,309,702	56,466,324
Remeasurement gains (losses) on defined benefit plans (Note 31)	5,578,819	19,339,430
	₱309,038,713	₱238,092,899

The Group did not recognize deferred tax assets on the following temporary differences because the Group believes that it may not be probable that sufficient taxable income will be available in the near foreseeable future against which the tax benefit can be realized.

	2017	2016
NOLCO	₱33,529,277	₱27,437,312
Impairment loss	22,971,836	52,031,090
Allowance for doubtful accounts, inventory obsolescence and other expenses	4,999,395	14,182,326
MCIT	2,383	753
Accrued retirement expense	8,394,229	-
Others	515,820	166,423

The Group did not recognize deferred tax liabilities on undistributed earnings and cumulative translation adjustments of foreign subsidiaries in 2017 and 2016 since the Group determined that the timing of the reversal of the temporary difference can be controlled by the Group and management does not expect the reversal of the temporary differences in the foreseeable future. The undistributed earnings of the Group's foreign subsidiaries amounted to ₱424.0 million and ₱448.0 million as at December 31, 2017 and 2016, respectively.

As of December 31, 2017, the amount of NOLCO still available for offset against future tax payable over a period of three (3) years from the year of inception are as follows:

Taxable Period	Amount	Applied/Expired	Balance	Expiry Year
2017	₱40,189,238	₱-	₱40,189,238	2020
2016	16,952,892	42,600	16,910,292	2019
2015	10,035,927	-	10,035,927	2018
2014	22,785,802	22,785,802	-	2017
	₱89,963,859	₱22,828,402	₱67,135,457	

As of December 31, 2017, the amounts of MCIT still allowable as tax credit consist of:

Taxable Period	Amount	Applied/Expired	Balance	Expiry Year
2017	₱861,146	₱143,975	₱717,171	2020
2016	4,785,876	3,110,297	1,675,579	2019
2015	5,376,472	4,682,265	694,207	2018
2014	15,392,311	15,392,311	-	2017
	₱26,415,805	₱23,328,848	₱3,086,957	



The details of NOLCO and MCIT as at December 31, 2017 are as follows:

Taxable Year Incurred	NOLCO	MCIT	Expiry Year
2017	₱40,189,238	₱717,171	2020
2016	16,910,292	1,675,579	2019
2015	10,035,927	694,207	2018
	₱67,135,457	₱3,086,957	

33. Earnings Per Share

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

Basic earnings per share

	2017	2016	2015
Net income	₱941,441,126	₱402,669,546	₱1,022,731,322
Less dividends attributable to preferred shares	23,028,873	23,619,749	26,930,749
Net income applicable to common shares	918,412,253	379,049,797	995,800,573
Divided by the weighted average number of common shares	615,996,114	615,996,114	615,996,114
Basic earnings per share	₱1.4909	₱0.6153	₱1.6166

Diluted earnings per share

	2017	2016	2015
Net income applicable common share for basic earnings per share	₱918,412,253	₱379,049,797	₱995,800,573
Add dividends attributable to preferred stock	23,028,873	23,619,749	26,930,749
Net income applicable to common stockholders for diluted earnings per share	941,441,126	402,669,546	1,022,731,322
Weighted average number of shares of common stock	615,996,114	615,996,114	615,996,114
Dilutive shares arising from convertible preference stock	169,172,072	187,201,880	207,153,246
Weighted average number of shares of common stock for diluted earnings per share	785,168,186	803,197,994	823,149,360
Diluted earnings per share	₱1.1990	₱0.5013	₱1.2425



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

	2017	2016	2015
Number of shares of common stock issued	616,296,114	616,296,114	616,296,114
Less treasury shares	300,000	300,000	300,000
	615,996,114	615,996,114	615,996,114

34. Contingencies and Commitments

Contingencies

a. Surety Arrangement and Guarantees

The Group is contingently liable for guarantees arising in the ordinary course of business, including performance, surety and warranty bonds for various construction projects amounting to ₱4.9 billion and ₱5.3 billion as at December 31, 2017 and 2016, respectively.

b. Standby Letters of Credit

The Group has outstanding irrevocable domestic standby letters of credit amounting to ₱10.5 billion and ₱8.9 billion in 2017 and 2016, respectively, from local banks which are used for bidding and as a guarantee for the down payments received from its ongoing construction projects. The Group also has outstanding irrevocable foreign standby letters of credit amounting to USD 146.7 thousand and JPY 6.7 million in 2017 and USD 429 thousand and JPY 13.4 million in 2016, respectively.

c. Provisions and Contingencies

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

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

As at December 31, 2017 and 2016, total accumulated payments to faculty members amounted to ₱230.78 million. Related accruals as at December 31, 2017 and 2016 amounted to ₱64.09 million.



There are pending legal cases against the Group that are being contested by the Group and its legal counsels. The information required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is not disclosed until final settlement, on the ground that it might prejudice the Group's position. Management and its legal counsels believe that the final resolutions of these cases will not have a material effect on the consolidated financial position and operating results of the Group.

Lease Commitments

The Group leases parcels of land where their respective sales office, administrative and warehouse buildings were constructed and are currently located. The lease terms cover lease periods between 10 to 20 years with escalation rates ranging from 5.0% to 12.5%.

Future minimum rental payments under the aforementioned lease agreements follow:

	2017	2016
Within one year	₱88,443,671	₱66,858,875
After one year but not more than five years	239,925,503	183,487,720
More than five years	168,655,244	82,226,337
	₱497,024,418	₱332,572,932

The Group's Intramuros and Makati campuses lease spaces to RCBC, Digitel and Bell Telecommunication Philippines, Inc. The lease terms cover lease periods of between three (3) years to ten (10) years with escalation rates ranging from 3.00% to 10.00%.

Future minimum rental receivable under the aforementioned lease agreement follows:

	2017	2016
Within one (1) year	₱1,967,496	₱1,814,043
More than 1 year but not more than five (5) years	3,763,169	6,607,588
Later than five years	3,395,445	2,518,522
	₱9,126,110	₱10,940,153



35. Non-controlling Interests

Dividends paid to non-controlling interests amounted to P60.2 million, P155.1 million and P160.5 million in 2017, 2016 and 2015, respectively.

The summarized financial information attributable to non-controlling interests for significant subsidiaries as of and for the years ended December 31, 2017, 2016 and 2015 are as shown below:

	Honda Cars Kalookan, Inc. (HCKI) ^(a)		iPeople, inc. (iPeople) and Subsidiaries ^(b)		EEL Corporation (EEL) and Subsidiaries ^(c)	
	2017	2016	2015	2017	2016	2015
Assets						
Current assets	P1,005	P748	P578	P914	P1,120	P857
Noncurrent assets	108	123	134	6,982	5,410	5,040
	1,113	871	712	7,897	6,530	5,897
				21,392	20,203	22,351
Liabilities and Equity						
Current liabilities	P969	P758	P603	P1,628	P792	P786
Noncurrent liabilities	7	1	2	244	222	312
	976	759	605	1,872	1,014	1,098
				14,717	14,359	15,570
Revenue	P3,633	P2,308	P1,978	P1,983	P2,360	P2,434
Net income	P25	P4	P3	382	P643	P799
Total comprehensive income	P25	P3	P3	714	P916	P1,086
Share of NCI in net assets	P62	P50	P48	P1,968	P1,802	P1,567
Share of NCI in net income (loss)	P11	P2	P1	P125	P210	P261
Dividends paid	P-	P-	P-	P65	P65	P85
Operating	(P82)	(P119)	(P93)	P586	P796	P967
Investing	(12)	(12)	(12)	(1,345)	(235)	(932)
Financing	144	157	120	518	(289)	(594)
				1,824	(873)	1,119

(a) Proportion of ownership owned by non-controlling interests as of December 31, 2017 and 2016: 45.00%

(b) Proportion of ownership owned by non-controlling interests as of December 31, 2017 and 2016: 32.668%

(c) Proportion of ownership owned by non-controlling interests as of December 31, 2017 and 2016: 45.36%



36. Operating Segment Information

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

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

The Group derives its revenue from the following reportable segments:

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

Property management - represents property and project management services of the Group.

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

Car Dealership - represents automotive dealerships of the Group.

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

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

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

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

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

In 2017, each of the three customers from the domestic segment contributed revenue that exceeded 10% of the Group's revenue. Following are the revenues contributed by each of these customers: ₱3,293.2 million, ₱2,253.1 million and ₱1,508.6 million.

In 2016, each of the two customers from the construction and infrastructure segment contributed revenue that exceeded 10% of the Group's revenue. Following are the revenues contributed by each of these customers: ₱2,745.4 million and ₱1,766.9 million.

In 2015, a major customer from the domestic segment contributed revenue amounting to ₱4,960.3 million, which exceeded 10% of the Group's revenue.



(Amounts in Millions)

	Construction and Infrastructure			Education and Information Technology			Car Dealerships			Property Management			Other Services			Elimination			Consolidation		
	2017	2016	2015	2017	2016	2015	2017	2016	2015	2017	2016	2015	2017	2016	2015	2017	2016	2015	2017	2016	2015
Revenue																					
Domestic	\$14,921	\$14,836	\$18,979	\$1,983	\$2,360	\$2,434	\$11,256	\$8,286	\$7,873	\$209	\$180	\$157	\$361	\$509	\$478	(\$1,182)	(\$429)	(\$830)	\$27,548	\$25,742	\$29,091
Foreign	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intersegment sales	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net income attributable to share of parent	\$14,921	\$14,836	\$18,979	\$1,983	\$2,360	\$2,434	\$11,256	\$8,286	\$7,873	209	\$180	\$157	\$361	\$509	\$480	(\$1,182)	(\$429)	(\$832)	\$27,548	\$25,742	\$29,091
Other Information	836	(\$848)	\$203	382	\$596	\$741	\$124	\$124	\$82	64	\$484	(\$64)	\$116	\$289	\$395	(\$581)	(\$191)	(\$334)	\$941	\$403	\$1,023
Segment assets	\$21,392	\$20,203	\$22,351	\$7,897	\$6,530	\$5,897	\$3,800	\$3,577	\$2,993	166	\$161	\$139	\$5,557	\$4,528	\$4,671	(\$1,459)	(\$1,310)	(\$1,368)	\$37,353	\$33,689	\$34,683
Deferred tax assets	(79)	(84)	(110)	(6)	(6)	(12)	(16)	(27)	(33)	(2)	(2)	(3)	(4)	(2)	(1)	3	-	-	(104)	(121)	(159)
Net segment assets	\$21,313	\$20,119	\$22,241	\$7,891	\$6,524	\$5,885	\$3,784	\$3,550	\$2,960	164	\$159	\$136	\$5,553	4,526	\$4,670	(\$1,456)	(\$1,310)	(\$1,368)	\$37,249	\$33,568	\$34,524
Segment liabilities	\$14,717	\$14,359	\$15,570	\$1,872	\$1,014	\$1,098	\$1,652	\$3,852	\$1,261	120	\$117	\$96	\$1,148	\$1,890	\$2,626	(\$508)	(\$2,149)	(\$1,42)	\$21,001	\$19,083	\$20,509
Income tax payable	(13)	(4)	(13)	(7)	(8)	(26)	-	(5)	-	(2)	(2)	(1)	(1)	(2)	(8)	1	1	-	(22)	(20)	(39)
Deferred tax liabilities	(72)	(72)	-	(177)	(147)	(121)	(137)	(136)	(93)	-	-	-	(6)	-	(3)	(93)	(4)	(76)	(413)	(359)	(298)
Net segment liabilities	\$14,704	\$14,283	\$15,557	\$1,688	\$859	\$951	\$1,515	\$3,711	\$1,168	\$118	\$115	\$95	\$3,141	\$1,888	\$2,619	(\$600)	(\$2,152)	(\$218)	\$20,566	\$18,704	\$20,172
Investments in associates and joint ventures	\$2,177	\$1,300	\$2,098	-	-	-	-	-	-	\$6	\$5	\$3	\$4,037	\$4,037	\$4,041	(\$1,599)	(\$1,620)	(\$1,778)	\$4,821	\$3,722	\$4,364
Equity in net earnings (losses) of associates	\$118	(\$1,316)	\$845	-	-	-	-	-	-	-	-	-	-	-	-	\$171	\$222	(\$212)	289	(\$1,094)	\$633
Cash flows arising from:																					
Operating activities	(\$1,020)	\$1,652	\$1,781	\$586	\$796	\$967	\$185	(\$451)	(\$1)	\$44	\$57	\$35	(\$116)	(\$46)	(\$7)	\$38	(\$250)	(\$297)	(\$283)	\$1,758	\$2,478
Investing activities	(1,126)	(1,026)	(2,213)	(1,345)	(235)	(932)	(69)	(53)	(46)	(5)	(4)	(4)	(550)	(4)	245	(6)	510	59	(3,101)	(812)	(2,891)
Financing activities	1,824	(873)	1,119	518	(289)	(594)	(16)	525	146	(56)	(33)	(32)	536	(332)	51	156	91	(98)	2,962	(911)	572
Capital expenditures	-569	(1,030)	1,209	(1,162)	(232)	(933)	38	55	52	(3)	(1)	(3)	956	24	6	(1,970)	(110)	(3,298)	(2,710)	(1,294)	(2,967)
Interest income	56	(61)	29	13	12	11	-	-	-	-	-	-	12	15	4	(9)	111	(1)	72	77	43
Interest expense	162	163	136	4	9	19	53	57	51	-	-	-	57	73	75	0	(1)	(1)	276	301	280
Provision for income tax	255	226	265	48	79	89	13	10	10	20	15	13	53	40	3	7	0	169	396	370	549
Earnings before income tax and depreciation and amortization	1,087	(622)	468	461	707	830	150	83	(54)	84	67	50	416	525	449	(339)	(171)	173	1,859	589	1,916
Noncash items:																					
Additional revaluation increment on land	1,731	12	989	670	864	1,006	205	132	(2)	87	70	53	457	568	491	(368)	(155)	(377)	2,782	1,491	2,160
Depreciation and amortization	-	-	-	(\$315)	(\$280)	-	(\$55)	(\$49)	(\$52)	-	-	-	-	-	-	(\$8)	(\$17)	(\$3)	(\$406)	(\$375)	(\$820)
	644	634	521	209	157	176	150	83	(54)	3	3	4	12	7	7	(339)	(171)	173	923	902	756



37. Financial Instruments and Financial Risk Management Objectives and Policies

Financial Risk Management Objectives and Policies

The main purpose of the Group's financial instruments is to raise finances for the Group's operations.

The main risks arising from the Group's financial instruments are liquidity risk, market risk, and credit risk. The BOD reviews and agrees on the policies for managing these risks, as well as approving and authorizing risk limits set by management, summarized below. There were no changes in the policies for managing these risks.

a. Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its payment obligations as they fall due. The Group seeks to manage its liquidity risk to be able to meet its operating cash flow requirements, finance capital expenditures and service maturing debts. As an inherent part of its liquidity risk management, the Group regularly evaluates its projected and actual cash flows. To cover its short-term and long-term funding requirements, the Group intends to use internally generated funds and available short-term and long-term credit facilities.

The tables below summarize the maturity profile of the Group's financial assets and financial liabilities as at December 31 based on undiscounted contractual cash flows.

	2017				Total
	On demand	< 1 year	1 to < 2 years	> 2 years	
Financial Liabilities					
Accounts payable and accrued expenses*	₱3,432,037,613	₱690,296,051	₱179,663,955	₱406,731,477	₱4,708,729,096
Bank loans					
Peso loan	70,000,000	7,615,000,000	-	-	7,685,000,000
Interest	-	15,348,641	-	-	15,348,641
Long-term debt					
Peso loan	-	491,865,198	1,608,657,364	571,424,252	2,671,946,814
Interest	-	267,053,764	211,335,661	37,198,117	515,587,542
Due to related parties	124,038,237	-	-	-	124,038,237
	3,626,075,850	9,079,563,654	1,999,656,980	1,015,353,846	15,720,650,330
Financial Assets					
Cash					
Cash on hand and in banks	1,250,528,876	-	-	-	1,250,528,876
Short-term investments	716,969,549	-	-	-	716,969,549
Accounts receivables					
Trade receivables	4,519,012,457	3,658,155,658	4,023,209	5,920,859	8,587,263,128
Consultancy fees	-	306,621,841	-	-	306,621,841
Receivables from plant	27,877,545	-	-	-	11,302,104
Others	371,866,101	-	667,439	1,129,235	360,096,775
Loan receivables	-	10,159,319	3,507,320	-	13,666,639
Receivable from related parties	155,083,681	18,551	-	-	155,102,232
	7,041,338,209	3,974,955,369	8,197,968	7,050,094	11,401,551,144
Liquidity gap (position)	₱1,692,125,746	₱166,096,789	₱1,991,459,012	₱1,008,303,752	₱4,487,975,795

*Excluding statutory liabilities



	2016				Total
	On demand	< 1 year	1 to < 2 years	> 2 years	
Financial Liabilities					
Accounts payable and accrued expenses*	₱3,981,249,260	₱752,172,021	₱685,752,213	₱1,348,960	₱5,420,522,454
Bank loans					
Peso loan	-	4,100,000,000	-	-	4,100,000,000
Interest	-	72,815,461	-	-	72,815,461
Long-term debt					
Peso loan	-	491,748,610	491,748,610	2,180,198,230	3,163,695,450
Interest	-	176,168,146	149,111,836	571,680,398	896,960,380
Due to related parties	127,809,141	-	-	-	127,809,141
	4,109,058,401	5,592,904,238	1,326,612,659	2,753,227,588	13,781,802,886
Financial Assets					
Cash					
Cash on hand and in banks	1,478,830,024	-	-	-	1,478,830,024
Short-term investments	914,371,197	-	-	-	914,371,197
Accounts receivables					
Trade receivables	2,258,931,599	4,447,830,831	8,466,967	7,355,335	6,722,584,732
Consultancy fees	305,946,232	-	-	-	305,946,232
Receivables from plant	42,377,871	25,253,540	-	-	67,631,411
Others	197,662,181	166,826,478	874,352	859,352	366,222,363
Loan receivables	-	11,449,015	3,875,640	-	15,324,655
Receivable from related parties	54,371,552	-	-	-	54,371,552
	5,252,490,656	4,651,359,864	13,216,959	8,214,687	9,925,282,166
Liquidity gap (position)	(₱1,143,432,255)	₱941,544,374	₱1,313,395,700	₱2,745,012,901	₱3,856,520,720

*Excluding statutory liabilities

b. *Market risk*

Market risk is the risk of loss to future earnings, to fair values or to future cash flows that may result from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in equity prices, foreign currency exchange rates and interest rates.

Equity price risk

The Group's equity price risk exposure at year-end relates to financial assets whose values will fluctuate as a result of changes in market prices, principally, equity securities classified as available-for-sale securities.

Quoted available-for-sale securities assets are subject to price risk due to changes in market values of instruments arising either from factors specific to individual instruments or their issuers or factors affecting all instruments traded in the market. The Group's market risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments; diversification plan; and limits on investment in each industry or sector.

The analysis below is performed for reasonably possible movements in the market index with all other variables held constant, showing the impact on equity.

	2017		2016	
	Change in variable	Effect on Equity	Change in variable	Effect on Equity
Market Index				
PSE	4.93%	149,376	4.93%	₱3,134,308
	-4.93%	(149,376)	-4.93%	(3,134,308)
Others	25.53%	3,373,146	8.71%	1,162,773
	-25.53%	(3,373,146)	-8.71%	(1,162,773)



The percentage of increase and decrease in market price is based on the movement in the Philippine Stock Exchange Index (PSEI) and other market index pertaining to golf and country club shares from beginning to end of the year. The sensitivity analyses shown above are based on the assumption that the movement in PSE composite index and other quoted equity securities will be most likely be limited to an upward or downward fluctuation of 5% and 26% in 2017, respectively, and 5% and 9% in 2016, respectively.

The impact of sensitivity of equity prices on the Group's equity already excludes the impact on transactions affecting the consolidated statements of income.

Foreign currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's currency risk arise mainly from cash and receivables which are denominated in a currency other than the Group's functional currency or will be denominated in such a currency.

Foreign currency risk is monitored and analyzed systematically and is managed centrally by the central finance department. The Group's policy is to maintain foreign currency exposure within existing internal regulations, and within acceptable risk limits as approved by the BOD.

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar (USD, US\$), Singaporean dollar (SGD, S\$), Euro (EUR, €), Japanese yen (JPY, ¥) and British pound (GBP, £) currency rates, with all variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

	2017		2016	
	Percentage increase/ decrease in foreign currency	Effect on profit before tax	Percentage increase/ decrease in foreign currency	Effect on profit before tax
USD	5.00%	2,277,233	+1.78%	₱2,560,201
SGD	1.80%	126,755	+4.10%	495,498
EUR	1.20%	96,221	+1.90%	15,917
JPY	0.40%	1,168	+3.90%	948
GBP	0.80%	104	+1.80%	(214)
USD	-5.00%	(2,277,233)	-1.78%	(₱2,560,201)
SGD	-1.80%	(126,755)	-4.10%	(495,498)
EUR	-1.20%	(96,221)	-1.90%	(15,917)
JPY	-0.40%	(1,168)	-3.90%	(948)
GBP	-0.80%	(104)	-1.80%	214

The forecasted movements in percentages used were sourced by management from an affiliated bank. These are forecasted movements in the next twelve months.



The foreign currency-denominated financial assets and financial liabilities in original currencies and equivalents to the functional and presentation currency are as follows:

2017						
	USD ¹	SGD ²	EUR ³	JPY ⁴	GBP ⁴	Equivalents in PHP
Financial assets						
Cash and cash equivalents	US\$1,918,252	S\$187,184	€5,361	¥1,149,351	£-	₱ 103,569,704
Receivables	200,998			1,662,820		10,765,461
	2,119,250	187,184	5,361	2,812,171	-	114,335,165
Financial liabilities						
Accounts payable and accrued expenses	380,873	-	144,228	3,520,030	200	29,175,802
	US\$1,738,377	S\$187,184	(€138,867)	(¥707,859)	(£200)	₱85,159,363

¹ Exchange rate used - ₱49.92 to US\$1

² Exchange rate used - ₱37.32 to S\$1

³ Exchange rate used - ₱59.6 to €1

⁴ Exchange rate used - ₱0.44 to ¥1

⁵ Exchange rate used - ₱67.1 to £1

2016						
	USD ¹	SGD ²	EUR ³	JPY ⁴	GBP ⁴	Equivalents in PHP
Financial assets						
Cash and cash equivalents	US\$1,623,838	S\$353,997	€16,740	¥57,919	£-	₱93,789,150
Receivables	196,780	-	-	-	-	9,783,902
	1,820,618	353,997	16,740	57,919	-	103,573,052
Financial liabilities						
Accounts payable and accrued expenses	156,078	-	-	-	200	7,772,372
	US\$1,664,540	S\$353,997	€16,740	¥57,919	(£200)	₱95,800,680

¹ Exchange rate used - ₱49.72 to US\$1

² Exchange rate used - ₱34.35 to S\$1

³ Exchange rate used - ₱51.84 to €1

⁴ Exchange rate used - ₱0.42 to ¥1

⁵ Exchange rate used - ₱60.87 to £1

There are no other effects of the foreign currency sensitivity on the Group's equity other than those already affecting the consolidated statements of income.

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's short-term and long-term obligations.



The following table sets out the carrying amount, by maturity, of the Group's financial liabilities that are exposed to interest rate risk:

	2017						TOTAL In Php
	Below 1 Year	1-2 Years	2-3 Years	3-4 Years	4-5 Years	Over 5 Years	
Long-term debt							
Peso floating							
Philippine Peso	₱54,366,300	₱54,366,300	₱54,366,300	₱54,366,300	₱54,366,300	₱304,782,206	₱576,613,706
Floating rate							
Peso fixed							
Philippine Peso	54,366,300	54,366,300	54,366,300	54,366,300	54,366,300	304,782,206	576,613,706
Interest rate							

	2016						TOTAL In Php
	Below 1 Year	1-2 Years	2-3 Years	3-4 Years	4-5 Years	Over 5 Years	
Long-term debt							
Peso floating							
Philippine Peso	₱54,366,300	₱54,366,300	₱54,366,300	₱54,366,300	₱54,366,300	₱359,148,506	₱630,980,006
Floating rate	BSP Overnight plus 1.50% spread						
Peso fixed							
Philippine Peso	54,366,300	54,366,300	54,366,300	54,366,300	54,366,300	359,148,506	630,980,006
Interest rate	Floating rate plus 0.50% spread						

In order to effectively manage its interest rate risk and its financing costs, the Group closely monitors the movements of interest rates, as well as, economic factors affecting the trends of these movements. In certain cases, depending on its assessment of future movements of interest rates, the Group would pre-terminate its debt and obtain a new loan facility which provides for either floating or fixed interest rates. This is intended to minimize its financing costs.

The table below demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings):

	2017		2016	
	Increase/decrease in basis points	Effect on profit before tax	Increase/decrease in basis points	Effect on profit before tax
Peso floating rate borrowing	+67	₱4,384,331	+19	(₱1,895,266)
	-67	(₱4,384,331)	-19	1,895,266

The forecasted movements in percentages of interest rates used were sourced by management from an affiliated bank. These are forecasted movements in the next twelve months.

There are no other impact on the Group's equity other than those already affecting the consolidated statements of income.

c. *Credit risk*

The Group's exposure to credit risk on its receivables relates primarily to the inability of the debtors to pay and fully settle the unpaid balance of receivables owed to the Group. The Group manages its credit risk in accordance with its credit risk policies which requires the evaluation of the creditworthiness of the debtors. The Group's exposure to credit risk on its other receivables from debtors and related parties is managed through close account monitoring and setting limits.



There can be some credit exposures on project commitments and contingencies as at December 31, 2016 and 2015 represented by work accomplishments on backlog of projects which are not yet invoiced. These exposures are, however, limited to a few months work accomplishment as work are frozen as soon as the Group is able to determine that the risk of non-collection materializes. This risk is, however, mitigated by the Group's contractor's lien on the project. A contractor's lien is the legal right of a contractor to takeover the project in-progress and has priority in the settlement of contractor's receivables and claims on the project in the event of insolvency of the project owner. The Group assesses that the value of projects in-progress is usually higher than receivables from and future commitments with the project owners (see Note 8).

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

Except for ZIFC which is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. It is the ZIFC's policy that all prospective debtors are subject to screening procedures. In addition, receivable balances are monitored on an ongoing. An analysis of concentrations of credit risk all pertains to ZIFC, as of December 31 is shown below:

	2017	2016
Loans receivable at gross	₱24,913,877	₱25,493,324
Less: Allowance for probable loss	3,869,959	3,974,852
Unearned discount and interest	7,671,002	6,345,090
	₱13,372,916	₱15,173,382

The Group's maximum credit risk exposure for its secured loans receivables is equal to its carrying value amounting ₱24.9 million and ₱25.5 million in 2017 and 2016, respectively. The Group holds collateral against these loans receivables in the form of mortgage interests over property. The fair values of the collateral amounts to ₱2.1 billion in 2017 and 2016. This resulted to a nil net exposure as at December 31, 2017 and 2016.

With respect to credit risk arising from cash and cash equivalents, unsecured loans receivables, accounts receivable, due from related parties, available-for-sale securities and receivables from EEI- RFI, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.



As at December 31, the analysis of financial assets that were past due but not impaired follows:

	2017						
	Neither past due nor impaired	Past due but not impaired				Impaired Assets	Total
		< 30 days	30 - 60 days	60 - 90 days	> 90 days		
Cash in bank and cash equivalents	P1,967,498,425	P-	P-	P-	P-	P-	P1,967,498,425
Loans receivable	13,666,639	-	-	-	-	-	13,666,638
Receivables from:							
Construction and infrastructure	3,308,636,465	979,016,374	712,992,155	141,100,633	1,585,725,672	23,763,449	6,751,234,748
Car dealership	1,052,813,105	250,725,566	99,729,382	22,357,158	95,744,905	30,078,900	1,552,261,016
Education and information technology	77,570,144	7,488,152	4,418,343	13,212,700	-	56,631,634	159,320,973
Other services	28,433,800	34,640,436	734,854	948,874	4,388,807	6,484,912	75,631,683
Other receivables:							
Consultancy fee	-	-	-	-	306,621,841	-	306,621,841
Receivables from plant	10,539,782	-	-	-	-	17,337,763	27,877,545
Others	181,337,381	49,226,159	27,776,039	3,976,115	29,802,340	81,544,741	373,662,774
Miscellaneous deposits	78,266,698	-	-	-	-	-	78,266,698
Due from related parties	155,102,232	-	-	-	-	-	155,102,232
Receivable from a customer	211,513,105	-	-	-	-	11,095,689	222,608,794
Receivable from EEI Retirement Fund, Inc.	178,000,000	-	-	-	-	-	178,000,000
	P7,263,377,776	P1,321,096,687	P845,650,773	P181,595,480	P2,022,283,565	P226,937,088	P11,861,753,367

	2016						
	Neither past due nor impaired	Past due but not impaired				Impaired Assets	Total
		< 30 days	30 - 60 days	60 - 90 days	> 90 days		
Cash in bank and cash equivalents	P2,390,207,142	P-	P-	P-	P-	P-	P2,390,207,142
Loans receivable	15,324,655	-	-	-	-	4,053,542	19,378,197
Receivables from:							
Construction and infrastructure	3,762,011,140	614,642,795	264,430,835	93,344,304	976,272,142	35,347,628	5,746,048,844
Car dealership	622,925,015	-	154,043,752	68,086,594	43,061,350	38,035,317	926,152,028
Education and information technology	76,419,090	15,358,579	409,747	10,900	18,070,744	61,125,773	171,394,833
Other services	2,297,888	9,200,174	581,062	531,787	886,834	6,208,855	19,706,600
Other receivables:							
Consultancy fee	-	-	-	-	305,946,232	-	305,946,232
Receivables from plant	27,967,072	-	11,591,416	4,020,959	25,642,596	12,032,845	81,254,888
Others	341,875,213	7,987,554	6,864,559	16,506,248	20,286,466	49,859,639	443,379,679
Due from related parties	54,371,552	-	-	-	-	-	54,371,552
Receivable from a customer	380,296,805	-	-	-	-	-	380,296,805
Receivable from EEI Retirement Fund, Inc.	223,000,000	-	-	-	266,388	-	223,266,388
	P7,896,695,572	P647,189,102	P437,921,371	P182,500,792	P1,390,432,752	P206,663,599	P10,761,403,188

There are no past due financial assets other than those stated above.



The following table provides information regarding the credit quality by class of financial assets (amounts gross of allowance for credit losses) based on the Group's credit rating system.

	2017			
	Neither past due nor impaired		Past due or Individually Impaired	Total
	High Grade	Standard		
Cash in banks and cash equivalents	₱2,361,251,782	₱-	₱-	₱2,361,251,782
Loans receivable	15,324,655	-	-	15,324,655
Receivables from:				
Construction and infrastructure	5,339,609,046	1,411,625,702	-	6,751,234,748
Car dealership	1,045,098,799	67,161,240	440,000,978	1,552,261,017
Education and information technology	79,806,032	3,565,774	75,949,167	159,320,973
Other services	65,397,572	1,576,813	8,657,298	75,631,683
Other receivables:				
Consultancy fee	306,621,841	-	-	306,621,841
Rent receivable	594,566	-	75,307	669,873
Others	251,849,641	20,929,582	128,761,095	401,540,318
Receivable from sale of investment properties	374,402,949	-	-	374,402,949
Due from related parties	155,102,232	-	-	155,102,232
Receivable from a customers	222,608,794	-	-	222,608,794
Receivables from EEI Retirement Fund, Inc.	178,000,000	-	-	178,000,000
Miscellaneous deposits	78,266,698	-	-	78,266,698
	₱10,473,934,607	₱1,504,859,111	₱653,443,845	₱12,632,237,563

	2016			
	Neither past due nor impaired		Past due or Individually Impaired	Total
	High Grade	Standard		
Cash in banks and cash equivalents	₱2,390,207,142	₱-	₱-	₱2,390,207,142
Loans receivable	15,324,655	-	4,053,542	19,378,197
Receivables from:				
Construction and infrastructure	1,082,113,409	2,679,897,731	1,984,037,704	5,746,048,844
Car dealership	622,925,015	-	303,227,013	926,152,028
Education and information technology	72,853,316	3,565,774	94,975,743	171,394,833
Other services	2,297,888	-	17,408,712	19,706,600
Other receivables:				
Consultancy fee	-	-	305,946,232	305,946,232
Receivable from plant	27,967,072	-	53,287,816	81,254,888
Others	341,875,213	-	101,504,466	443,379,679
Due from related parties	54,371,552	-	-	54,371,552
Receivable from a customer	380,296,805	-	-	380,296,805
Receivables from EEI Retirement Fund, Inc.	223,000,000	-	266,388	223,266,388
	₱5,213,232,067	₱2,683,463,505	₱2,864,707,616	₱10,761,403,188

Neither past due nor impaired accounts receivables, other receivables are classified into 'high grade' and 'standard grade'. Neither past due nor impaired cash and cash equivalents, loans receivable, due from related parties, receivable from a customer and receivables from EEI-RFI are normally 'high grade' in nature. The Group sets financial assets as 'high grade' based on the Group's positive collection experience. On the other hand, 'standard grade' are those which have credit history of default in payments.

Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group which is composed of diversified operations (i.e. construction and infrastructure operations, education and information technology and finance and leasing activities) manages its capital on a per entity basis. Each entity manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended December 31, 2017 and 2016.



As at December 31, 2017 and 2016, the Group is not subject to externally imposed capital requirements. The Group considers total equity as its capital.

Parent Company, EEI and iPeople

The Parent Company, EEI (construction and infrastructure operations) and iPeople (education and information technology) monitor capital using gearing ratio. The Parent Company, EEI and iPeople's policies are to keep the gearing ratio up to a maximum of 2:1, 3:1 and 2:1, respectively.

	2017	2016
Current liabilities	P18,101,365,608	P 15,765,141,122
Noncurrent liabilities	2,899,918,632	3,317,684,641
Total liabilities (a)	21,001,284,240	19,082,825,763
Equity (b)	16,351,423,582	14,605,887,893
Debt to Equity Ratio (a/b)	1:28:1	1.31:1

Fair Value Information

The carrying amounts of the investments approximate the fair value due to their short-term maturities and demand features except for the following:

Receivable from EEI-RFI

The fair values of the receivable amounting to P166.8 million and P225.3 million as of December 31, 2017 and 2016, respectively, were estimated as the present value of all future cash flows discounted using the applicable rates for similar types of loans (Level 2 - significant observable inputs). Discount rates used in 2017 and 2016 were 5.71% and 4.73%, respectively.

Long-term debt

The fair values of the interest-bearing long-term loans amounting to P2,671.9 million and P3 163.7 million as of December 31, 2017 and 2016, respectively, were estimated as the present value of all future cash flows discounted using the applicable rates for similar types of loans (Level 2 - significant observable inputs). Discount rates used in 2017 and 2016 were 5.71% and 4.73%, respectively.

Quoted AFS financial assets

Fair value of investments in equity shares listed with Philippine Stock Exchange amounting to P54.4 million and P41.8 million as of December 31, 2017 and 2016, respectively, were determined by reference to the quoted price in the stock exchange at the end of the reporting period (Level 1 - quoted prices in active market).

Fair values of investments in club/golf shares amounting to P13.2 million and P17.5 million as of December 31, 2017 and 2016, respectively, were determined by reference to the price of the most recent transaction at the end of the reporting period (Level 2 - significant observable inputs).

Financial assets at FVPL

Fair values of financial assets at FVPL amounting to P8.5 million and P8.3 million as of December 31, 2017 and 2016, were determined based on quoted prices of equity and debt instruments listed with exchanges.

There were no transfers between levels of fair value measurements in 2017 and 2016. No transfers between any levels of the fair value hierarchy took place in the equivalent comparative period.



38. Capital Stock

The authorized preferred stock is 2,500,000,000 shares at ₱0.40 par value. A reconciliation of the number of preferred shares outstanding as at December 31, 2017, 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	(27,044,711)	(67,611,780)	(29,927,049)	(74,817,621)	(33,128,338)	(82,820,845)
Conversion of preferred stock to common stock	-	-	-	-	(149,036)	(372,591)
	₱253,758,109	634,395,272	₱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 December 31, 2017, 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	Par Value	Record Date	Payment Date
March 31, 2017	₱7,020,070	₱0.40	April 28, 2017	May 21, 2017
July 21, 2017	6,844,569	0.40	August 18, 2017	September 12, 2017
September 29, 2017	6,673,454	0.40	October 27, 2017	November 24, 2017
December 8, 2017	6,506,618	0.40	January 4, 2018	January 30, 2018
	27,044,711			
March 31, 2016	₱7,768,247	₱0.40	April 28, 2016	May 24, 2016
July 15, 2016	7,574,040	0.40	August 12, 2016	September 8, 2016
September 30, 2016	7,384,690	0.40	October 28, 2016	November 24, 2016
December 2, 2016	7,200,072	0.40	December 29, 2016	January 23, 2017
	29,927,049			
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 11, 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, 2015
	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:

- a) Entitled to dividends at the rate of average 91-day T-Bill plus two percent;



- b) Fully participating as to distribution of dividends;
- c) 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;
- d) 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
- e) With voting rights and preferences as to assets upon dissolution of the Parent Company over common shareholders.

Below is the summary of the outstanding number of shares and holders of security as at December 31, 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			48
Movement:	(19,420,617)	₱0.40	March 31, 2016	
	(18,935,100)	0.40	July 15, 2016	
	(18,461,723)	0.40	September 30, 2016	
	(18,000,181)	0.40	December 2, 2016	
December 31, 2016	702,007,052			48
Conversion	-			
December 31, 2016	702,007,052			
Movement:	(17,550,176)	0.40	March 31, 2017	
	(17,111,422)	0.40	July 21, 2017	
	(16,683,636)	0.40	September 29, 2017	
	(16,266,546)	0.40	December 8, 2017	
December 31, 2017	634,395,272			48
Common Shares:				
January 1, 2016	615,996,114			402
Movement	-	--		
December 31, 2016	615,996,114			402
Movement	-	--		
December 31, 2017	615,996,114			394

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 394, respectively, as of December 31, 2017 and 48 and 402, respectively, as of December 31, 2016.



39. Retained Earnings

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	2,878,825	0.004	-	August 18, 2017	September 12, 2017
September 29, 2017	2,756,804	0.004	-	October 27, 2017	November 23, 2017
December 12, 2017	2,616,312	0.004	-	January 4, 2018	January 29, 2018
	₱63,068,621				
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				

After reconciling items, the retained earnings of the Parent Company that are available for dividend declaration amounted to ₱2,576.3 million and ₱2,290.2 million as of December 31, 2017 and 2016, respectively. Dividend distribution is approved by the BOD.

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

Restrictions

The Group's retained earnings include accumulated earnings of subsidiaries, associate and joint venture amounting to ₱6,472.2 million and ₱5,726.3 million as of December 31, 2017 and 2016, respectively, not declared as dividends to the Group. Accordingly, these are not available for dividend declaration.

As of December 31, 2017, Group's retained earnings is restricted to payment of dividends to the extent of the cost of shares held in treasury and deferred tax asset amounting to ₱2.6 million and ₱103.8 million, respectively.

40. Cumulative translation adjustments

Cumulative translation adjustments represents exchange differences arising from the translation of financial statements of foreign subsidiary, EEI BVI, whose functional currency is the United States Dollar. It also includes share in cumulative translation adjustments of the Group's investment in an associate, PERC, whose functional currency is the United States Dollar.



41. Other Matters

- a. The Board of Directors of iPeople ratified on January 5, 2018 the execution of a Non-Binding term sheet for its proposed merger with AC Education, Inc. (AEI), the wholly owned education arm of Ayala Corporation. With the execution of such Non-Binding term sheet, the parties have agreed to an exclusivity period to complete due diligence, and to finalize the terms and conditions of the proposed merger within the second quarter of 2018. All terms and conditions of the proposed merger, including the involvement of House of Investments, Inc. and Ayala Corporation in the management of the surviving entity, iPeople, shall be presented for approval by the parties' respective boards of directors and the merging parties' stockholders, and the transaction will be subject to the requisite regulatory approvals as well. The potential merger would bring together the educational arms of House of Investments, Inc. and Ayala Corporation (iPeople and AEI, respectively).
- b. In a letter to MESI dated December 20, 2017, Parent Company expressed its decision to exercise its option to convert the 281,642 Preferred Shares in MESI to common shares of the latter. The said conversion was approved by the BOD of Parent Company on December 8, 2017. As of April 6, 2018, MESI is processing the requirements to effect the conversion of preferred shares to common shares.
- c. Since 2016, ARCC has submitted various claims to Snamprogetti, the main contractor of the RP2 Naphtha and Aromatics Package Project, to recover losses due to the delays, disruptions and work variations relating to the said project. As of April 6, 2018, ARCC and Snamprogetti have not agreed on the final settlement amount.
- d. The non-controlling stockholders of JPSAI infused capital of ₱20.0 million in 2017.
- e. On April 6, 2018, the BOD approved the declaration of cash dividends of ₱0.0046 per share with a total amount of ₱2.9 million to the stockholders of the Parent Company's preferred shares on record as of May 3, 2018, payable on May 29, 2018.
- f. On April 6, 2018, the BOD approved the redemption of 15,859,882 preferred shares at ₱0.40 per share amounting to ₱6.3 million from the stockholders of the Parent Company's preferred shares on record as of May 3, 2018, payable on or before May 30, 2018.

42. Approval of Consolidated Financial Statements

The accompanying consolidated financial statements were approved and authorized for issue by the Board of Directors (BOD) on April 6, 2018.





SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

The Board of Directors and Stockholders
House of Investments, Inc.
3rd Floor, Grepalife Building
219 Sen. Gil J. Puyat Avenue
Makati City, Metro Manila

We have audited in accordance with Philippine Standards on Auditing (PSAs) the consolidated financial statements of House of Investments, Inc. and its subsidiaries (the Group) as at December 31, 2017 and 2016, and for each of the three years in the period ended December 31, 2017 included in this Form 17-A, and have issued our report thereon dated April 6, 2018. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. Schedules I, II, III and V listed in the Index to Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for the purpose of complying with the Securities Regulation Code Rule No. 68, As Amended (2011), and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Wenda Lynn M. Loyola

Wenda Lynn M. Loyola

Partner

CPA Certificate No. 109952

SEC Accreditation No. 1540-A (Group A),

March 8, 2016, valid until March 8, 2019

Tax Identification No. 242-019-387

BIR Accreditation No. 08-001998-117-2016,

February 15, 2016, valid until February 14, 2019

PTR No. 6621276, January 9, 2018, Makati City

April 6, 2018



HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES
SUPPLEMENTARY INFORMATION AND DISCLOSURES REQUIRED ON
SRC RULE 68 AS AMENDED
DECEMBER 31, 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 the purpose of filing with the SEC and is not required part of the basic financial statements.

Schedule A. Financial Assets in Equity Securities

The Group is not required to disclose the financial assets in equity securities as the total available-for-sale securities amounting ₱449.6 million do not constitute 5% or more of the total current assets of the Group as at December 31, 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 December 31, 2017:

Name	Balance at beginning of year	Additions <i>(In Thousands)</i>	Collections/ Liquidations	Balance at end of year
<i>EEI</i>				
Macapagal, Norman K.	₱1,532	₱163	₱163	₱1,532
Alonzo, Antonina J.	121	—	—	121
Burgos, Manuel B.	108	11	11	108
Albarda, John Christian	167	—	44	123
Largosta, Christopher M.	150	—	42	108
Bernal, Edgardo A.	126	150	—	276
Alcaraz, Jimmy S.	173	—	30	143
Bundalian, Rolando S.	102	1	1	102
Tamos Jr. Eduardo C.	113	190	62	241
Puyat, Gil S.	168	700	588	280
Agtoto, Jerry O.	—	100	—	100
Menchero, Fortunato S.	—	250	71	179
Nicol, Franklyn N.	—	185	60	125
Padrique, Danilo N.	—	118	18	100
Penas, Abrilleno F.	—	209	41	168
Saludadez, Juanito T.	—	120	—	120
Satur, Salustiano O.	—	120	8	112
Lachica, Ryan H.	—	199	82	117
Abrenica, Frances Estrella S.	—	1,189	832	357
Espiritu, Jaime S.	—	108	—	108
Montecalvo, Dennis S.	—	108	—	108
Villanueva, Jose P.	—	104	—	104
Bayeta, Eddie S.	—	118	—	118
Muyco, Roberto P.	—	171	—	171
Nacpil, Almario R.	—	348	—	348
Zulueta, Reynaldo S.	—	105	1	104
Marco, Dindo H. Realin	668	—	—	668
	₱3,428	₱4,767	₱2054	₱6,141

Forward

Name	Balance at beginning of year	Additions <i>(In Thousands)</i>	Collections/ Liquidations	Balance at end of year
<i>iPeople</i>				
Robielos, Rex Aurelius	P-	P621	P-	P621
Tiongco, Danilo R.	-	463	46	417
Mercado, Julius Ceasar P.	-	398	-	398
Costales, Aloysius Nathaniel	520	-	130	390
Camacho, Margarita	-	399	15	384
Hofilena, Joy	122	253	-	375
Kikuchi, Khristian	106	268	-	374
Medrano, Anthony	-	371	-	371
Salayo, John Vincent	-	371	-	371
Austria, Maria Rhodora	-	367	-	367
Agbulos, Erlin C.	402	-	89	313
Sabino, Lilibeth	-	366	57	309
Lanusa, Dionisa	-	318	16	302
Gochioco, Geraldine	370	-	72	298
Salvacion, Jonathan	483	-	197	286
Songsong, Maribel	347	-	74	273
Francisco, Ruth C.	310	-	78	232
Adanza, Carina Victoria T.	297	-	75	222
Sauquillo, Dante	288	-	76	212
Tablante, Dennis H.	4	388	215	177
Doma, Bonifacio T. Jr.	-	190	14	176
Papas, Aileen Kate A.	244	-	89	155
Ballado, Alejandro Jr.	220	-	73	147
Balan, Ariel Kelly	217	-	73	144
Geguiento, Edgardo P.	240	-	110	130
Camus, Rosette Eira	198	-	73	125
	P4,368	P4,773	P1,572	P7,569
<i>HI-Parent</i>				
Pancelo, Danilo P	P425	P21	P104	P342
De Lara, Ma. Elisa	405	29	113	322
Nuguid, Marissa P.	-	532	233	298
Cacho, Chona B.	-	551	253	298
Villegas, Sonia P	315	22	129	208
Bassig, Clarissa	304	16	84	237
Cajes, Cieolo M..	297	129	289	137
Joven, Ma. Esperanza F	289	23	114	198
Galang, Alexander G.	282	35	92	226
Tanjangco, Joey A.	273	20	116	177
Monserate, Lalaine Pena	-	934	458	476
Apsay, Christopher	-	223	46	177
Bautista, Maria Teresa	-	546	215	331
	P2,590	P3,081	P2,246	P3,427
Total	P10,386	P12,621	P5,872	P17,137

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 December 31, 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	P1,342,914	P4,040,896	(P4,504,385)	P-	P879,425
Dividends receivable	23,500,000	43,000,000	(38,500,000)	-	28,000,000
	24,842,914	47,040,896	(43,004,385)	-	28,879,425
<i>Greyhounds Security and Investigation Agency Corporation</i>					
Due from affiliates	1,021,952	2,588,686	(2,820,591)	-	790,047
<i>Investment Managers, Inc.</i>					
Due from affiliates	544,887	6,416,705	(6,562,943)	-	398,649
Dividends receivable	1,300,000	750,000	(1,300,000)	-	750,000
	1,844,887	7,166,705	(7,862,943)	-	1,148,649
<i>iPeople, inc. and subsidiaries</i>					
Due from affiliates	9,940,613	60,903,460	(61,980,078)	-	8,863,995
Dividends receivable	14,062,201	175,125,779	(130,323,302)	-	58,864,678
	24,002,814	236,029,239	(192,303,380)	-	67,728,673
<i>EEL Corporation and subsidiaries</i>					
Due from affiliates	1,726,385	4,933,351	(6,047,916)	-	611,820
<i>Zamboanga Industrial Finance Corporation</i>					
Dividends receivable	-	1,300,000	(1,300,000)	-	-
<i>Hexagon Lounge, Inc.</i>					
Due from affiliates	-	63,079	(63,079)	-	-
<i>Xamdu Motors, Inc.</i>					
Due from affiliates	-	250	-	-	-
	P53,438,952	P299,122,206	(P253,402,294)	-	P99,158,614

These receivables are non-interest bearing and are expected to be settled within the next twelve months.

Schedule D. Intangible Asset - Other Noncurrent Assets

As at December 31, 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	P471,357,459	P-	P-	P-	P-	P471,357,459
Computer Software	13,772,672	18,774,291	(19,070,775)	-	-	13,476,188
	P485,130,131	P18,774,291	(P19,070,775)	P-	P-	P484,833,647

Schedule E. Long-term Debt

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

<u>Type of Obligation</u>	<u>Amount</u>	<u>Current</u>	<u>Noncurrent</u>
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%.	₱578,830,549	₱53,075,456	₱525,755,093
Peso-denominated syndicated bank loan payable within ten (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 two percent (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 percent (2.0%) per annum or (ii) the BSP overnight rate plus a spread of 1.5% or (iii) 5.5% per annum.	578,830,550	53,075,456	525,755,094
Peso-denominated five (5) year term loan, payable quarterly starting March 2016 with interest of 5.11% per annum	300,000,000	100,000,000	200,000,000
EEI			
Fixed-rate corporate promissory notes with effective interest of 5.1667% and 5.1875% per annum for seven (7) years	875,000,002	214,285,715	660,714,287
EEI Power			
Peso-denominated seven (7) year term loan, payable quarterly starting June 2014 with interest of 6.0% per annum inclusive of two-year grace period on principal amortization	339,285,713	71,428,571	267,857,142
	<u>₱2,671,946,814</u>	<u>₱491,865,198</u>	<u>₱2,180,081,616</u>

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

As at December 31, 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 December 31, 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	2,695,400	318,541,144
Preferred shares	2,500,000,000	634,395,272	237,974,016	-	396,421,256

HOUSE OF INVESTMENTS, INC.

**RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND
DECLARATION**

Unappropriated retained earnings, beginning	₱2,302,203,340
Less: Deferred tax asset	(9,386,176)
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	349,138,212
Less movement in deferred tax asset that increased net income	—
Net income actually earned during the period	349,138,212
Dividend declared	63,068,621
UNAPPROPRIATED RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION, ENDING	₱2,576,279,155

HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES

SCHEDULE OF ALL THE EFFECTIVE STANDARDS AND INTERPRETATIONS
 [which consist of PFRSs, Philippine Accounting Standards (PASs) and Philippine Interpretations]
 effective as of December 31, 2017:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 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			✓

*Not early adopted

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS				
Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	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	Financial Instruments		✓*	
	Amendments to PFRS 9: Prepayment Features with Negative Compensation		✓*	

*Not early adopted

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS				
Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Transition Guidance	✓		
	Amendments to PFRS 10: Investment Entities			✓
	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	✓		
	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		✓*	

*Not early adopted

**Effectivity was deferred by the Financial Reporting Standards Council

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
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	✓		
	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	✓		
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			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
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	✓		
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			✓
	Amendments to PAS 28: Long-term Interests in Associates and Joint Ventures		✓*	
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and 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	✓		

*Not early adopted

**Effectivity was deferred by the Financial Reporting Standards Council

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS				
Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
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: 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			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
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)			✓**	

**Not early adopted*

***Only amendment to PFRS 12, Clarification of the Scope of the Standard, was adopted in 2017. The amendment to PAS 28, Measuring an Associate or Joint Venture at Fair Value will be adopted in 2018.*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS				
Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
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	Determining Whether an Arrangement Contains a Lease			✓
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment	✓		
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	✓		
	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			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS				
Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
IFRIC 21	Levies			✓
IFRIC 22	Foreign Currency Transactions and Advance Consideration		✓*	
IFRIC 23	Uncertainty over Income Tax Treatments		✓*	
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			✓
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

**Not early adopted*

HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES
SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS AS OF
DECEMBER 31, 2017 AND 2016

Financial Soundness Indicator

Below are the financial ratios that are relevant to the Group for the year ended December 31, 2017 and 2016:

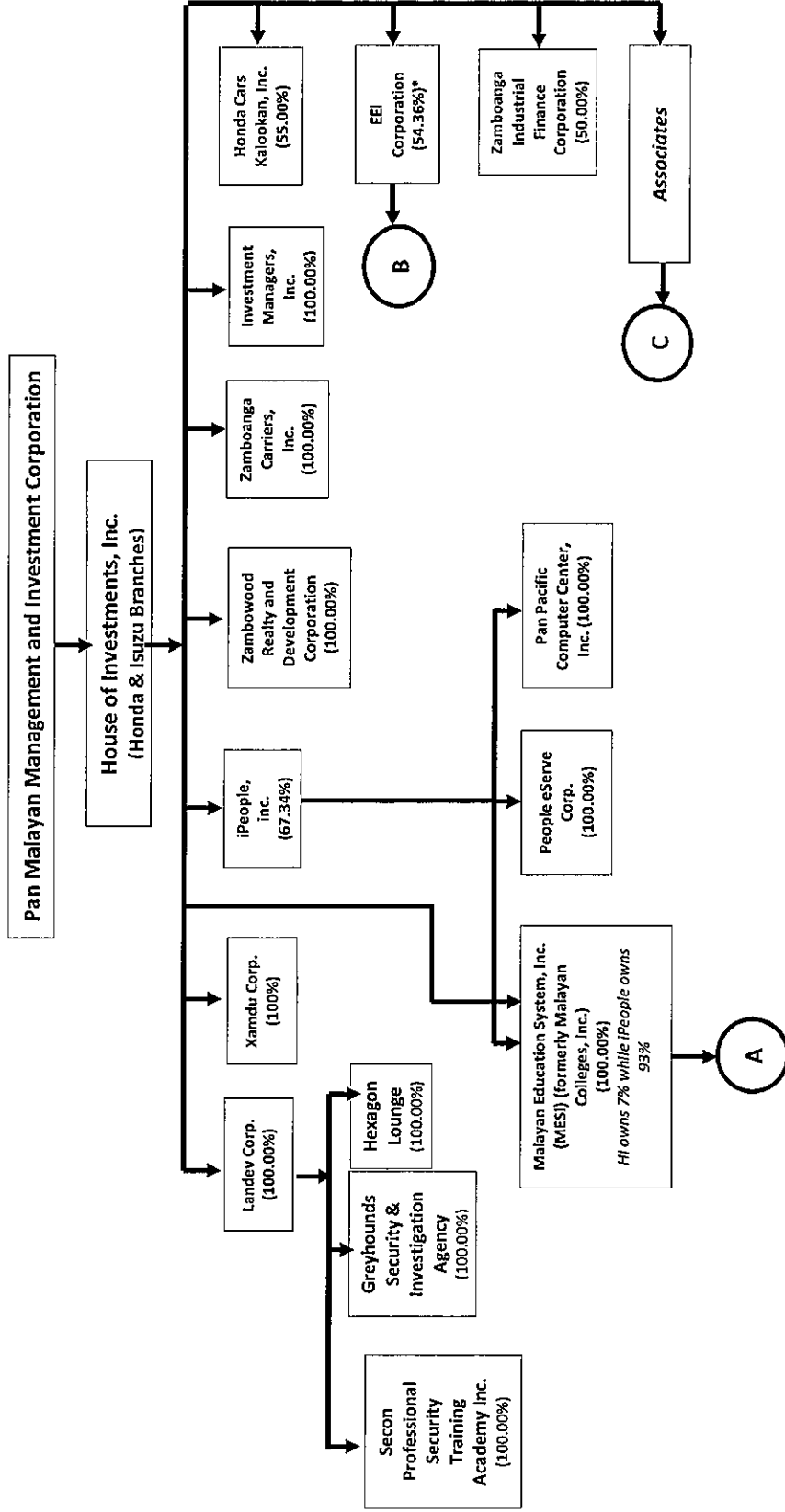
Financial ratios		2017	2016
Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$	0.98:1	1.10:1
Solvency ratio	$\frac{\text{Net income plus depreciation}}{\text{Total liabilities}}$	0.11:1	0.06:1
Debt to equity ratio	$\frac{\text{Total liabilities}}{\text{Total equity}}$	1.28:1	1.31:1
Asset-to-equity ratio	$\frac{\text{Total assets}}{\text{Total equity}}$	2.28:1	2.31:1
Interest rate coverage	$\frac{\text{EBIT*}}{\text{Interest expense}}$	7.73:1	2.96:1
Return on assets	$\frac{\text{Net income}}{\text{Average total assets}}$	4.12%	0.64%
Return on equity	$\frac{\text{Net income}}{\text{Average total equity}}$	9.45%	1.52%

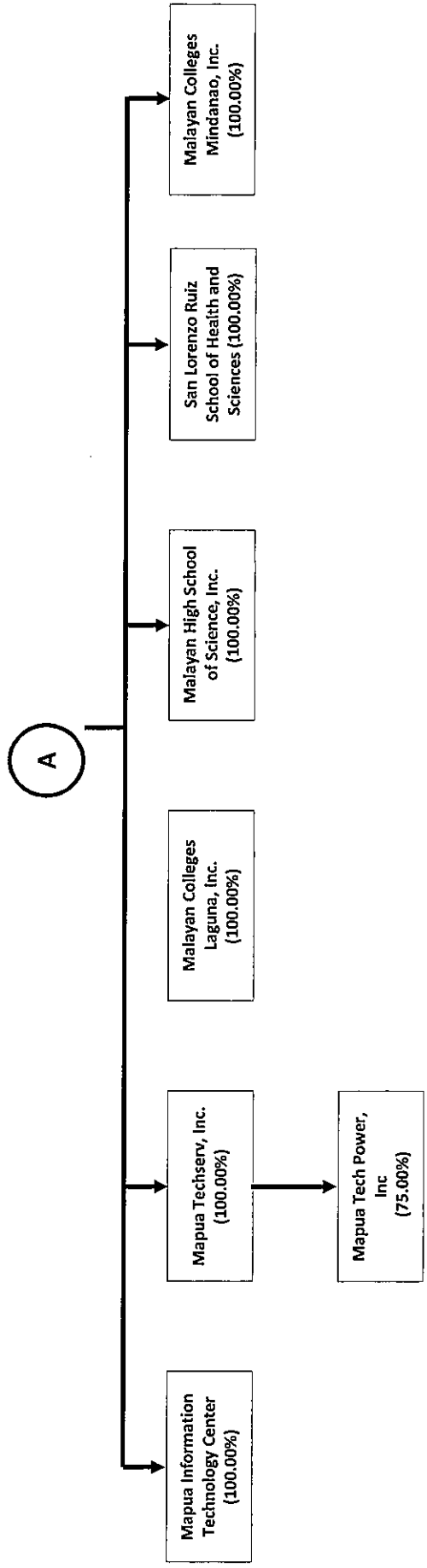
**Earnings before interest and taxes (EBIT)*

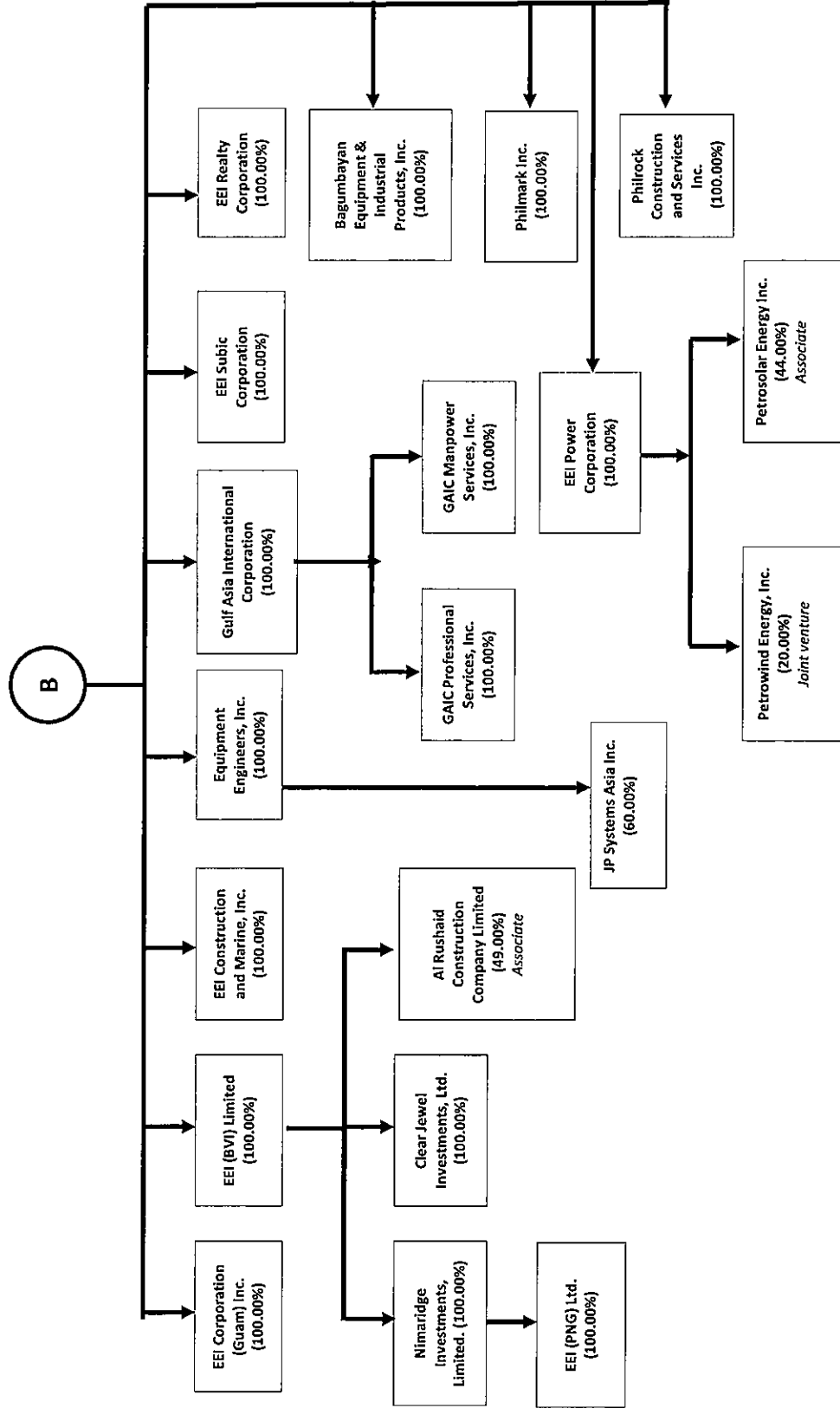
HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES
MAP OF RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP

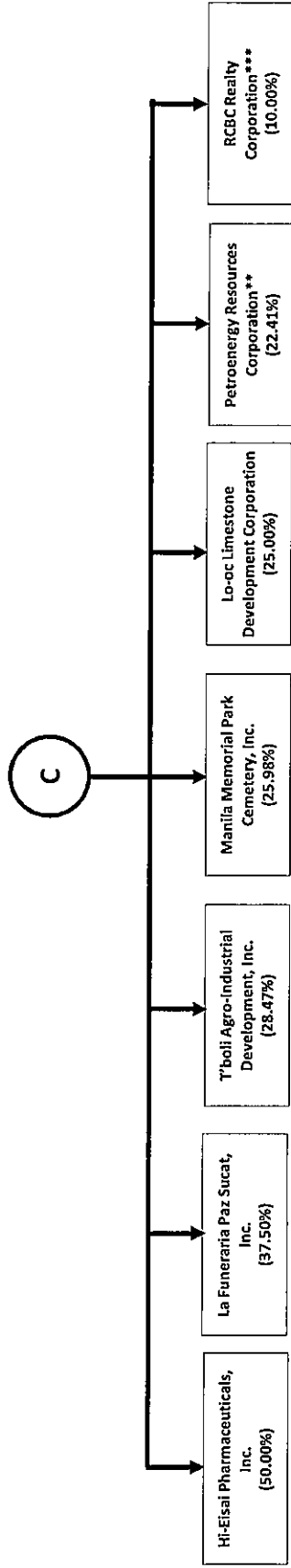
Group Structure

Below is a map showing the relationship between and among the Group and its ultimate parent company, subsidiaries, and associates as of December 31, 2017:









* In 2015, the Group purchased additional 41.9 million shares resulting to an increased ownership interest from 50.32% to 54.36%.

** On February 21, 2013, significant influence was obtained through piecemeal acquisition. In 2014, the Group purchased additional 6.6 million shares of PERC increased ownership interest from 20.00% to 22.41%.

*** On September 17, 2013, the Group acquired 10.00% ownership in RRC. The Group was able to exercise significant influence since it has the capacity to participate in the financial and operating decisions of RRC through common key management and representation to the Board of Directors



Annex “B”

CONSOLIDATED FINANCIAL STATEMENTS OF MARCH 31, 2018 AND DECEMBER 31, 2017 AND THREE MONTHS ENDED MARCH 31, 2018, 2017, AND 2016

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

1	5	3	9	3											
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COMPANY NAME

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

PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

3	r	d		F	l	o	o	r	,		G	r	e	p	a	l	i	f	e		B	u	i	l	d	i	n	g	,		
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							

Form Type

1	7	-	Q
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Department requiring the report

S	E	C
---	---	---

Secondary License Type, If Applicable

N	/	A
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COMPANY INFORMATION

Company's Email Address

N/A

Company's Telephone Number

815-9636 to 38

Mobile Number

N/A

No. of Stockholders

393

Annual Meeting (Month / Day)

July 20

Fiscal Year (Month / Day)

March 31

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 March 31, 2018
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	634,395,272 shares of preferred stock

Amount of debt as of March 31, 2018 P20.45 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 March 31, 2018 with comparative figures for the periods ended December 31, 2017 and March 31, 2017 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 were two academic years where no students moved on to tertiary studies, i.e. AY 2016-2017 and AY 2017-2018. This impacts 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 starting Q12016-17. Mapua University have secured approval from the Department of Education to offer Senior High School at the Makati campus starting AY 2018-2019. 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 benefits from new product and product variant introductions by Honda and Isuzu. During such periods, Honda and Isuzu unit sales are expected to increase 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 31 March 2018, the Group posted a consolidated net income after tax of P0.49 billion compared to P0.59 billion against last year. Net income attributable to Parent company is P324.47 million.

Total consolidated revenues is at P6.88 billion slightly lower compared to P6.90 billion of last year, primarily due to lower revenues generated both by car dealerships and education segments.

Revenues from services, which pertain primarily from the construction segment, increased by 14% compared to last year. This is attributable mainly to the production generated from on-going domestic projects. Sales of goods decreased from P2.46 billion last year to P1.94 billion this year primarily because of declined sales of car dealerships.

Revenues from school operations dropped from P521.45 million to P486.02 million this quarter because of the lower number of enrollees, as a result of the K+12 program transition, softened by tuition fees generated from Senior High School.

Interest and discounts, which are attributable to Zamboanga Industrial Finance Corp. (ZIFC), decreased from P2.61 million to P2.39 million as of this quarter because of lower lead of borrowers during the quarter.

Dividend income pertains mainly from dividend received from YGC Corporate Services.

Cost of services is higher primarily because of EEI Corporation's (EEI) on-going production of major domestic projects. The decrease in cost of goods sold is largely attributable to the lower sales volume of the car dealerships. Cost of schools and related operations is higher primarily due to increase in number of faculty and non-teaching personnel for Senior High School, tools and library books and software license due to subscription of new licenses related to Blackboard Learning Management System.

Consolidated general and administrative expenses increased by 7%, from P524.70 million to P560.52 million this year. The increase is primary attributable to: (a) higher personnel and management expenses due to higher manpower requirements of EEI; and (b) taxes and licenses due to on additional loan availed by the Group coupled by increase in DST rate

Other income is lower this period because last year includes gain from redemption of RCBC Realty Corporation of its preferred shares and reversal of long outstanding payables of EEI.

Equity in net earnings of associates and joint ventures is at P215.29 million compared to P190.55 million against last year. This is mainly attributable to the improved performance of ARCC, a foreign affiliate of EEI where it holds 49% stake.

Interest and finance charges are higher as of the period, from P65.40 million to P82.14 million, due to new loan availments of the Group to finance its new projects and on-going construction of MCM.

Balance Sheet Variances

Total consolidated assets of the Group stood at P37.31 billion as of the period ending March 2018 against P37.35 billion of the year ended December 2017.

Total current assets decreased from P17.73 billion to P17.12 billion this year, due to the following reasons: (a) intensified collection efforts of the Group, hence reducing its receivables; and (b) settlement of its maturing obligations, hence cash level dropped significantly from December 2017.

Current and non-current portion of loans receivable is related to ZIFC operations.

Inventories increased due to timing of purchase of vehicle units coupled with lower sales during the quarter.

Receivable from related parties increased mainly from service fee and mobilization billings to A1 Rushaid Construction Company, Ltd. (ARCC) by Gulf Asia International Inc. (GAIC), a wholly owned subsidiary of EEI.

Prepaid expenses and other current assets increased primarily due to higher unutilized input value added tax and creditable withholding taxes as of the quarter.

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

Total noncurrent assets increased from P19.62 billion to P20.19 billion.

Investments in associates and joint ventures primarily went up due to the additional Petroenergy Resources Corporation (PERC) shares purchased by the Parent Company amounting to P332.60 million.

Deferred tax assets decreased due to the tax effect on foreign exchange gain of EEI in the first quarter.

Total consolidated liabilities decreased to P20.45 billion as of Q1 2018 from P21.0 billion as of December 2017.

Decrease in total current liabilities is attributable to lower billings in excess of costs and estimated earnings on uncompleted contracts of EEI.

Accounts payable and accrued expenses increased primarily because of higher production activities thereby incurring higher billings from subcontractors and suppliers.

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

Unearned tuition fees pertain to unamortized tuition fees of senior and junior high school, in which the academic year will end in May 2018.

Variance in income tax payable is mainly due to timing of payments. Income tax payable for the year-ending December 2017 was paid in April 2018 while for the quarter ending March 2018 is due in May 2018.

Customers' deposits, which increased by 30% pertain to unapplied collections from EEI's customers on local projects and reservation from various clients of EEI Realty (a local subsidiary of EEI) for its low-cost housing units.

Total noncurrent liabilities dropped to P2.76 billion in March 2018 from P2.90 billion as of the period ending December 2017.

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

Total consolidated equity rose from P16.35 billion to P16.86 billion.

Change in cumulative translation adjustment represents exchange differences arising from the translation of financial statements of the foreign subsidiary, EEI BVI, whose functional currency is the United States dollar and foreign associate, ARCC with functional currency of Saudi Arabia Riyal.

Total consolidated retained earnings increased from P8.41 billion to P8.73 billion.

(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 March 31, 2018 compared to March 31, 2017 and to December 31, 2017 are as follows:

Financial ratios		Unaudited 31-Mar-18	Unaudited 31-Mar-17	Audited 31-Dec-17
Current ratio <i>Indicates the Group's ability to pay short-term obligation</i>	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	0.97:1	1.10:1	0.98:1
Solvency Ratio <i>Shows how likely a company will be to continue meeting its debt obligations</i>	$\frac{\text{Net Income} + \text{Depreciation}}{\text{Total Liabilities}}$	0.04:1	0.04:1	0.11:1
Debt-to-equity ratio <i>Measures the Group's leverage</i>	$\frac{\text{Total Debt}}{\text{Equity}}$	1.21:1	1.23:1	1.28:1
Asset to Equity Ratio <i>Shows how the company's leverage (debt) was used to finance the firm</i>	$\frac{\text{Total Assets}}{\text{Equity}}$	2.21:1	2.23:1	2.28:1
Interest Rate Coverage <i>Shows how easily a company can pay interest on outstanding debt</i>	$\frac{\text{EBIT}}{\text{Interest Expense}}$	8.15:1	12.13:1	7.73:1
Return on Average Stockholders' Equity <i>Reflects how much the Group's has earned on the funds invested by the stockholders</i>	$\frac{\text{Net Income}}{\text{Average Equity}}$	2.96%	3.96%	9.45%
Return on Assets <i>Measure the ability to utilize the Group's assets to create profits</i>	$\frac{\text{Net Income}}{\text{Total Assets}}$	1.32%	1.74%	4.12%
Net Profit Margin <i>Shows how much profit is made for every peso of revenue</i>	$\frac{\text{Net Income}}{\text{Total Revenues}}$	7%	9%	5%
Asset Turnover <i>Shows efficiency of asset used in Operations</i>	$\frac{\text{Total Revenues}}{\text{Total Assets}}$	0.18	0.20	0.74
Return on Equity <i>Shows how much the business returns to the stockholders for every peso of equity capital invested</i>	$\frac{\text{Net Income}/\text{Total Revenues} \times \text{Total Revenues}}{\text{Total Assets} \times \text{Total Assets} / \text{Total Equity}}$	3.0%	4.0%	9.0%

- Current ratio is at 0.97 as of the period ended March 2018 compared with 0.98 as of December 2017. This is attributable to higher collection efficiency of the Group.
- Solvency ratio at 0.04 lower compared to 0.11 as of December 2017 as the Group consistently pay down its maturing obligations.
- Debt-to-equity ratio has improved from 1.28 in December 2017 to 1.21 as of March 2018 because of reduced level of loans.
- Asset to equity ratio went down from 2.28 as of December 2017 to 2.21 this quarter due to collection efficiency of the Group and higher equity as of the period
- Interest rate coverage ratio is lower at 8.15 times compared to 12.13 as of March 2017 due to lower earnings of the Group as of the quarter compared against last year.
- Return on equity is at 2.96% against 3.96% as of March 2017. This is due to lower net income posted by the Group against same period of last year.
- Return on assets (ROA) decrease from 1.74% last March 2017 to 1.32% this year. This is attributable to lower revenues and higher expenses incurred by the Group against same period of last year.
- Net profit margin is at 7%, which is attributable to lower income from the education segment.
- Asset turnover is 0.18 times compared to 0.20 times as of March 2017 because of lower revenues posted by the car dealerships and education segment.
- Return on average stockholders' equity decreased from 4% to 3% due to lower earnings posted by car dealerships 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: 1Q 2018 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**

The executive management takes an active role in the management of the core businesses. In addition, the executive management monitors the business performance of these companies portfolio very closely. Through regular review of actual results compared to budgets and previous year performance, House of Investments 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 identifying growth opportunities in existing businesses; helping develop new products and services that increase organic growth; or buying entire companies or controlling stakes in companies which show high growth potential 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

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

b. Foreign Exchange Risk

The Company's exposure to foreign exchange risk is minimal. The company has 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

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

d. Credit Risk

The Company's holding of cash and short-term securities exposes the company to the credit risk of the counterparty. Given House of Investments's diverse body of counterparties, it does not have a concentrated credit risk exposure. The Company manages its receivables through selective granting of credit lines to corporates and banks.

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.

The Company has non-core holdings in its AFS investments. For its non-core holdings, the Company's investment policy is to monitor developments in the market and 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 the Company's intention to liquidate these investments and put the excess cash to work.

f. Business Continuity Risk

The Company is acutely conscious of the risks posed by natural disasters, acts of God, or other man-made actions that can have an adverse impact on the continuity of regular operations. The Company's Board through its Risk Oversight Committee and the management team ensures that the business continuity plans of each operating subsidiary is in place and is up to date.

g. Competition

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

h. Succession Risk

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

The Risk Management Committee of the Board meets regularly and exercises an oversight role on executive management who are accountable for managing the risks that arise out of regular business operations

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.

We have insurance cover for many of the named risks above, except those that maybe due to regulatory or political risks. In addition, the Group has business continuity programs in place.

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. Availability of financing and interest rate sensitivity

- To the Company

The operations relies heavily on loans to fund its working capital and cash flow. The car divisions access credit through the lines available to the head office, i.e. House of Investments, Inc. while Honda Cars Kalookan, Inc. has its own lines with Banks.

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

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

- To our clients

A significant portion of vehicle sales in the Philippines is funded through bank financing. 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.

- Tax Reform for Acceleration and Inclusion (“TRAIN”). In particular, the implementation of the TRAIN saw an increase in the Excise Taxes on vehicles sold effective January 2018, which may result in a decline in sales of some models. The probability of a second phase of increases is anticipated with the proposed TRAIN 2 that is currently being deliberated by lawmakers. An even more restrictive fiscal policy would further reduce the demand for brand new vehicles leading to lower revenues by the car dealerships.
- Data Privacy Act. The recently passed Data Privacy Law requires that personal and sensitive information of EEI’s stakeholders held by the company be taken care of with utmost privacy. A breach of this requirement would mean stiff penalty and also possibly result to costly lawsuits that may tarnish our reputation. A committee has already been formed to spearhead the awareness for this requirement and implementation of necessary policies that protect personal data.

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

- f. Environmental regulations

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

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

Risk Factors at the Construction Sector

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

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

a. Geopolitical risk and opportunities

- **Expected Philippine Infrastructure Boom.** As the government continues to change the political and economic situation in the country including EEI's relationships with other nations, the effects of which to the construction markets where EEI has interests is of particular interest: The "Build, build, build" initiative of the government is expected to provide a sizable opportunity for players in the construction industry but the funding for such and fairness of the government in awarding contracts are important factors; Though it is anticipated that a significant number of Chinese investors will be putting in money in the country, most of which to partner with the government to do new infrastructure projects, the credibility of these potential clients as "good" ones is somewhat suspect at least basing on the rating that the UN gave them; Japan has not only provided funding but also begun investing in infrastructure and other business ventures in the Philippines.

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

- **Looming Global Trade War.** Donald Trump announced tariffs on up to \$60 billion of imports from China, proposed new investment restrictions and promised to sue China at the WTO for its technology-licensing regime. In response, China could impose tariffs on \$3 billion of imports from America or a nuclear trade option, sell off its US treasury bills holdings which will dampen the US bond market. Meanwhile, American customs officials started collecting levies of 25% on incoming steel and 10% on aluminum from China.

Trade war rumblings have Wall Street investors on edge, sent market volatility soaring and may stunt global growth prospects. On the other hand, the US tariff will create a glut in steel products in the ASEAN region, which will ultimately reduce the price of steel.

To mitigate this risk, EEI is closely monitoring the price of steel and other construction products affected by the US tariffs to capitalize on the expected benefits.

b. Saudi country risk

A relatively sizable operation of the company is situated in the Kingdom of Saudi Arabia and the uncertainties in that area is of some concern. The prevailing low oil prices, the political instability and regional security threats (Iran, Syria and Yemen) continue to be a factor that affects the operations there. On the other hand, emerging opportunities exist with the new Crown Prince's Vision 2030 initiatives, Saudi Aramco's 3 IPO and alliance with Russia, which will not only stabilize the oil price but also create new economic activities.

EEI continues to focus on sustainable operations and maintenance contracts where margins are higher. EEI will also develop new international markets particularly in the ASEAN region that will fill the void due to slowdown in Saudi Arabia.

c. Business concentration risk

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

EEI was able to establish new clients but at the same time recognize that expanding the client base has its limits. It is the reality of the Philippine business environment that investors are not that many. So EEI will expand its client base as much as possible but will give equal emphasis on the "quality" of the clients that EEI caters to – clients that have a track record of being fair

and with sound financial standing are preferred. EEI also identified ways to expand our contracting capacity to be able to increase its government contracts portfolio when there are favorable opportunities to do so and also possibly serve as a balancing force to EEI's non-government contracts portfolio.

d. Credit risk

It is typical in the industry, here and abroad, that executing a construction project involves a certain amount of credit between us (the contractor) and the client. Though the client's down payment is meant to provide working capital for the contractor, usually this is insufficient considering the fast-paced work, change orders, and timing difference between billing and collection. Thus, most of the time, a certain amount of work is being "financed" by the contractor and the probability of successfully collecting such is the risk. As EEI has undergone a significant increase in the number and size of projects that it are doing, the level of credit risk has also proportionately risen and should be given ample attention.

EEI performs close monitoring of project cash flow and prompt billing is being done, ensures that all change orders are only executed with proper approval documents from the client to ensure collectability of the work, initiate due diligence of new clients during tender stage as part of KYC, and negotiate for higher down-payment from the client

e. Interest rate risk

The era of quantitative easing known as QE3, using dollars created out of thin air to buy vast sums of bonds \$4.4 trillion, is over in the United States. This will signal an end to easy money in Asia. Interest rates are expected to rise with US Federal Reserve Chairman recent announcement for a faster pace to rate hikes to address inflation caused by a strong economy. Higher interest rates result to higher borrowing costs.

To mitigate this risk, EEI's efforts to expand its facilities from banks to an optimum level have been successful and efforts to reduce debt levels are continuing.

f. Competition risk

Influx of new foreign competitors is expected with the loosening of the local laws for foreign contractor entry into the local construction market. EEI's local competitors tie up with specialty foreign contractors has also contributed to the intense competition in the market.

EEI continues to focus on its core business where it has competitive advantage and has cemented its business relationship with its main customer base and is continuing with its initiative to enter into foreign markets with the help of its current and future foreign partners.

g. Succession planning

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

h. Manpower Sourcing

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

additional workers. The capacity of EEI's recruitment group to acquire talents from various parts of the country has been supplemented by increasing their manpower complement.

Efforts are now being done to make the deployment of our workers to various projects more efficient – that is, spot over-supply in certain areas and redistribute them to projects where they can be better utilized. In addition, the use of technology and machines in lieu of human labor is also being explored and training programs for zero-skilled applicants are being intensified to properly equip new recruits to work in our projects.

i. Implementation of PFRS 9 & 15 regulations

Starting January 1, 2018, the Philippine Financial Reporting Standard (PFRS) 9 and 15 will take effect. This means that management's discretion on the provisioning of savings or overruns for projects (which is intended to match revenue and cost recognition) will now be removed. Instead, revenues will be reported as contract obligations are satisfied while cost will be recognized when losses are incurred. In this case, the new standards will result to increased volatility in EEI's financial results. How its stakeholders react to this volatility may impact our stock price and the analysts' view of EEI's performance. Efforts will be taken to discuss such volatility with all relevant stakeholders to provide proper context and expectations and in managing credit and operational risks will help reduce such volatility.

j. Effects of TRAIN Law

The TRAIN Law is expected to induce price increase in the resources used in EEI's projects. These price movements may result to additional costs without compensating increase in revenue if not properly identified and managed.

To mitigate this risk, escalation clauses are included in contract provisions with our clients and medium term supply contracts have been arranged with major suppliers except for steel products where prices are expected to decline due to supply glut that may arise from the trade war between US and China.

k. Disruptive Technology

New technologies in construction – such as robotics, construction design by artificial intelligence – have the potential to disrupt the state of the industry. Players failing to adopt or even adapt to such changes may prove disastrous as they risk obsolescence. Efforts to explore and study the use of these new technologies are being done.

l. Sustainability

EEI is aware that our business' sustainability equally hinges in the state of our people, the society it serves and the environment we live in. Factors such as employee morale, militant ideological beliefs and natural disasters may have severe effects to its business if not properly managed.

To mitigate this risk, initiatives to provide EEI's people with a safe, orderly, fair and, as much as possible, comfortable working environment are continuing. EEI continues to cultivate the community within and outside the workplace. The methods EEI employs in the work adhere to the strictest environmental standards and a testament to this is EEI's ISO 14001 certification. Programs wherein EEI's people perform extracurricular activities that help the environment are continuing (e.g. regular tree planting activity). EEI have invested in a solar energy farm and a wind energy farm.

m. Cybersecurity

As EEI pushes to use more sophisticated technology in improving the way we do our work; the use of the Internet cannot be avoided. However, using the Internet includes the possibility of

being a target of cyberattacks and the increasing global trend of such attacks needs to be considered. Assessments on this threat and equipment to protect against these attacks are already acquired and in-place.

n. Data Privacy

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

o. Operational Risk

- General. 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; and Government approvals and right of way issues.

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

To mitigate this risk, increased awareness of project risk owners of the identification of risk and its impact on the project and performance of probabilistic forecasting to enable improved management of these external factors were implemented. Efforts to enhance the monitoring of project performance including the possible effects of all type of risk exposures are continuing in its development and is expected to further improve the company's anticipation of risks and response were done.

Future construction contracts are being negotiated EEI 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 rules of thumbs during project execution to contain losses when the risk materializes.

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

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

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

Whenever possible, EEI taps the capabilities of our design team to explore and suggests redesign of the structure to the client in order circumvent any ROW or obstruction issues. EEI also anticipates effects of possible ROW or obstruction issues and adjust the plan of the

schedule so as to minimize its financial impact without necessarily compromising the project duration.

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

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

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, MES and MCL are also accredited by PACUCOA while the initial accreditation of MCM is ongoing by PACUCOA. MES is also accredited by the ABET; MES and MCL are both accredited by PTC-ACBET and PICAB.

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 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. MES, MCL, MCM, and MHSS are subject to maximum percentage increase guidelines issued by both the CHED and the DepEd, as applicable. The inability of our higher education institutions to increase tuition fees to cover higher operating costs may pose a risk to profits and cash flows over time.
 - Changes in regulations. The 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 ended up with two academic years of no entering freshman classes.

The reduction of the student population because of the K+12 program affected the Company's profits and cash flows in the medium term. MES, MCL and MHSS offered SHS 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 batches.
- 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 following may hamper the operations of the Mapúa schools:

- **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.
- **Labor unrest.** Mapúa University has two unions, Faculty Association of MIT (FAMIT) and MIT Labor Union (MITLU). A strike by any of the two unions would obstruct operations.

Mapúa University is bound by the collective bargaining agreement (CBA) signed between the institution and the two unions. Mapúa University negotiates with each union separately. The FAMIT represents the faculty members. The MITLU represents the non-teaching staff. To the extent that unions negotiate CBA's with higher increases over time, this would negatively impact the cost structure of Mapúa University and lower the expected value of its profit and cash flows over time.

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 Mapúa University.

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. Interest Rate Risk

It is a company policy to use excess liquidity to pay down any 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. The Company 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.

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

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

f. Market Risk and Political Risk

In the event that adverse 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.

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.

The Free College Tuition also poses a risk to our schools. This may reduce the enrollment if current prospective students will opt to enroll in state-run universities and colleges.

Risk Factors at the Property Services

a. General Economic Conditions

The success of our business is significantly related to general economic conditions and accordingly, our business could be harmed by an economic slowdown and downturn in commercial real estate 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

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.

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 and facilities 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 and security service providers, including outsourcing companies that traditionally competed in limited portions of our facilities management business and have recently expanded their offerings, in-house corporate real estate departments, and developers.

- **Service Contracts.** Competitive pressures in the security services sector may prevent us from increasing our billing rates on contract anniversary or renewal dates. Our profitability will be adversely affected if, due to inflation or other causes, including increases in statutory payroll taxes, we are compelled to increase the wages, salaries and related benefits of our employees in amounts that exceed the amount that we can pass on to our customers through increased billing rates charged under our service contracts.
- **Recruitment and Retention.** Our business involves the labor-intensive delivery of our services. We derive our revenues through the services rendered by our employees. Our future performance depends in large part upon our ability to attract, train, motivate and retain our skilled operational and administrative staff.

The loss of the services of, or the failure to recruit, the required complement of 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.

f. Regulatory Risk

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

We are 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.

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.

h. Liability

In many cases, our property 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.

i. Changes in Technology

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

EXHIBIT 1

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

**Interim Condensed
Unaudited Consolidated Financial Statements**

**March 31, 2018 and 2017 (Unaudited)
and
December 31, 2017 (Audited)**

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

	Unaudited 31-Mar-18	Audited 31-Dec-17
ASSETS		
Current Assets		
Cash and cash equivalents (Note 6)	₱1,435,626,787	₱1,967,498,425
Financial asset at fair value through profit or loss	8,506,248	8,461,820
Accounts receivable (Note 8)	8,533,733,057	9,300,540,566
Current portion of loans receivable (Note 7)	10,434,651	10,159,319
Costs and estimated earnings in excess of billings on uncompleted contracts	4,143,481,331	3,753,207,563
Receivables from related parties	162,372,491	155,102,232
Inventories (Note 9)	1,247,994,361	1,117,527,767
Prepaid expenses and other current assets (Note 10)	1,577,976,276	1,418,625,854
Total Current Assets	17,120,125,202	17,731,123,546
Noncurrent Assets		
Available-for-sale (AFS) financial assets (Note 11)	446,600,825	449,585,193
Loans receivable - net of current portion (Note 7)	3,650,139	3,507,320
Investments in associates and joint ventures (Note 12)	5,372,526,008	4,821,213,966
Investment properties (Note 15)	18,052,412	18,715,503
Property and equipment (Note 13)		
At revalued amount	6,318,997,875	6,312,509,812
At cost	6,635,697,986	6,585,840,280
Goodwill (Note 14)	471,357,459	471,357,459
Retirement asset	45,410,202	46,490,063
Deferred tax assets - net	88,725,584	103,817,692
Other noncurrent assets - net (Note 16)	788,070,646	808,546,988
Total Noncurrent Assets	20,189,089,136	19,621,584,276
Total Assets	₱37,309,214,338	₱37,352,707,822
LIABILITIES AND EQUITY		
Current Liabilities		
Loans payable (Note 18)	₱7,460,000,000	₱7,685,000,000
Accounts payable and other current liabilities (Note 17)	6,042,066,753	5,586,176,162
Current portion of long-term debt (Note 19)	491,796,940	491,865,198
Income tax payable	57,765,790	21,834,468
Due to related parties	129,394,721	124,038,237
Billings in excess of costs and estimated earnings on uncompleted contracts	3,444,379,751	4,085,077,913
Unearned tuition fees	25,758,057	89,159,755
Customers' deposits	23,658,504	18,213,875
Total Current Liabilities	17,674,820,516	18,101,365,608
Noncurrent Liabilities		
Long-term debt - net of current portion (Note 19)	2,057,183,121	2,180,081,616
Retirement liability	148,739,887	148,565,857
Deferred tax liabilities - net	410,727,523	412,856,405
Other noncurrent liabilities	158,414,753	158,414,754
Total Noncurrent Liabilities	2,775,065,284	2,899,918,632
Total Liabilities	₱20,449,885,800	₱21,001,284,240

	Unaudited	Audited
	31-Mar-18	31-Dec-17
Equity		
Attributable to equity holders of the Parent Company		
Preferred stock (Note 21)	P253,758,109	P253,758,109
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)	1,329,730,248	1,329,730,248
Cumulative translation adjustments	243,410,105	224,366,002
Net unrealized gain on AFS financial assets (Note 11)	84,983,406	87,185,459
Remeasurement loss on defined benefit plans	(5,133,141)	(5,100,398)
Retained earnings (Note 20)	8,732,303,181	8,407,828,501
	11,535,512,628	11,194,228,641
Noncontrolling interests (Note 28)	5,323,815,910	5,157,194,941
Total Equity	16,859,328,538	16,351,423,582
	P37,309,214,338	P37,352,707,822

See accompanying Notes to Consolidated Financial Statements.

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

	January 1 to March 31		
	2018	2017	2016
REVENUE			
Sales of services - net	₱4,445,248,658	₱3,916,228,209	₱3,883,325,813
Sales of goods - net	1,945,448,112	2,462,173,148	1,985,054,867
School and related operations	486,022,177	521,451,858	596,845,858
Interest and discounts	2,393,878	2,606,702	2,570,254
Dividends	650,000	1,488,001	20,188,142
	6,879,762,825	6,903,947,918	6,487,984,934
COSTS OF SALES AND SERVICES			
Cost of services (Note 25)	3,846,497,745	3,314,798,290	3,278,445,158
Cost of goods sold (Note 25)	1,831,857,744	2,330,466,725	1,863,758,301
Cost of tuition and other fees (Notes 25 and 26)	318,468,261	308,542,695	300,849,006
	5,996,823,750	5,953,807,710	5,443,052,465
GROSS PROFIT	882,939,075	950,140,208	1,044,932,469
OTHER INCOME - Net (Note 24)	131,896,071	177,572,953	85,888,172
EQUITY IN NET EARNINGS (LOSSES) OF ASSOCIATES AND JOINT VENTURES (Note 12)	215,291,541	190,547,937	(40,121,057)
GENERAL AND ADMINISTRATIVE EXPENSES (Note 27)	(560,523,091)	(524,703,023)	(501,538,728)
INTEREST AND FINANCE CHARGES	(82,145,007)	(65,396,921)	(74,749,633)
INCOME BEFORE INCOME TAX	587,458,589	728,161,154	514,411,223
PROVISION FOR INCOME TAX	(95,503,265)	(138,672,356)	(82,894,764)
NET INCOME	₱491,955,324	₱589,488,798	₱431,516,459
Net income (loss) attributable to:			
Equity holders of the Parent Company	₱324,474,680	₱404,614,454	₱314,238,137
Noncontrolling interests	167,480,644	184,874,344	117,278,322
	₱491,955,324	₱589,488,798	₱431,516,459
EARNINGS PER SHARE (Note 23)			
BASIC	₱0.5267	₱0.6521	₱0.5056
DILUTED	₱0.4133	₱0.5067	₱0.3842

See accompanying Notes to Consolidated Financial Statements.

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

	January 1 to March 31		
	2018	2017	2016
NET INCOME	₱491,955,324	₱589,488,798	₱431,516,459
OTHER COMPREHENSIVE INCOME			
<i>Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:</i>			
Cumulative translation adjustments	35,033,302	6,073,833	(44,407,374)
Net unrealized gain (loss) on available-for-sale securities (Note 11)	(2,984,371)	(38,225)	11,152,292
<i>Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods</i>			
Remeasurement gains (losses) on net retirement liability	(49,231)	-	-
Total other comprehensive income (loss)	31,999,700	6,035,608	(33,255,082)
TOTAL COMPREHENSIVE INCOME	₱523,955,024	₱595,524,406	₱398,261,377
Total comprehensive income attributable to:			
Equity holders of the Parent Company	₱341,283,987	₱407,514,211	₱301,173,389
Noncontrolling interest in consolidated subsidiaries	182,671,037	188,010,195	97,087,988
	₱523,955,024	₱595,524,406	₱398,261,377

See accompanying Notes to Consolidated Financial Statements.

HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to the Group											
	Preferred Stock (Note 20)	Common Stock (Note 20)	Additional Paid-in Capital	Premium on Acquisition of Noncontrolling Interest	Revaluation Increment on Land - Net	Cumulative Translation Adjustment	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 March 31, 2018												
Balances as at January 1, 2018	\$253,758,109	\$921,836,572	\$154,578,328	\$(179,954,180)	\$1,329,730,248	\$224,366,002	\$87,185,459	\$(85,100,398)	\$8,407,828,501	\$11,194,228,641	\$5,157,194,941	\$16,351,423,582
Redemption of preferred shares	-	-	-	-	-	-	-	-	-	-	-	-
Acquisition of noncontrolling interest	-	-	-	-	-	-	-	-	-	-	-	-
Net income	253,758,109	921,836,572	154,578,328	(179,954,180)	1,329,730,248	224,366,002	87,185,459	(5,100,398)	8,407,828,501	11,194,228,641	5,157,194,941	16,351,423,582
Other comprehensive income	-	-	-	-	-	19,044,103	(2,202,053)	(32,743)	324,474,680	324,474,680	167,480,643	491,955,323
Total comprehensive income	-	-	-	-	-	19,044,103	(2,202,053)	(32,743)	324,474,680	324,474,680	167,480,643	491,955,323
Dividends declared by Parent Company	-	-	-	-	-	-	-	-	-	-	-	-
Dividends declared by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-
Total dividends declared	-	-	-	-	-	-	-	-	-	-	-	-
Balances as at March 31, 2018	\$253,758,109	\$921,836,572	\$154,578,328	\$(179,954,180)	\$1,329,730,248	\$243,410,105	\$84,983,406	\$(85,133,141)	\$8,732,303,181	\$11,535,512,628	\$5,323,815,910	\$16,859,328,538
For the Period Ended March 31, 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	(7,020,070)	-	-	-	-	-	-	-	-	(7,020,070)	-	(7,020,070)
Acquisition of noncontrolling interest	-	-	-	-	-	-	-	-	-	-	-	-
Net income	273,782,750	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	10,042,992,781	4,575,875,042	14,618,867,823
Other comprehensive income	-	-	-	-	-	3,301,735	(401,978)	-	404,614,454	404,614,454	184,874,344	589,488,798
Total comprehensive income	-	-	-	-	-	3,301,735	(401,978)	-	2,899,757	2,899,757	3,135,851	6,035,608
Dividends declared by Parent Company	-	-	-	-	-	-	-	-	-	-	-	-
Dividends declared by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-
Total dividends declared	-	-	-	-	-	-	-	-	-	-	-	-
Balances as at March 31, 2017	\$273,782,750	\$921,836,572	\$154,578,328	\$(179,954,180)	\$1,106,401,670	\$163,166,632	\$79,457,072	\$(2,832,302)	\$7,931,155,155	\$10,447,591,697	\$4,749,204,649	\$15,196,796,346

	For the Period Ended March 31, 2016											
Balances as at January 1, 2016	P\$110,729,869	P\$921,836,572	P\$154,578,328	(P\$179,954,180)	P\$876,113,387	P\$100,057,558	P\$86,516,972	(P\$31,137,535)	P\$7,190,445,946	P\$9,429,186,917	P\$4,745,893,595	P\$14,175,080,512
Redemption of preferred shares	(7,768,247)	-	-	-	-	-	-	-	-	(7,768,247)	-	(7,768,247)
Acquisition of noncontrolling interest	-	-	-	-	-	-	-	-	-	-	-	-
	302,961,622	921,836,572	154,578,328	(179,954,180)	876,113,387	100,057,558	86,516,972	(31,137,535)	7,190,445,946	9,421,418,670	4,745,893,595	14,167,312,265
Net income	-	-	-	-	-	-	-	-	314,238,137	314,238,137	117,278,322	431,516,459
Other comprehensive income	-	-	-	-	-	(24,139,850)	11,075,102	-	(13,064,748)	(13,064,748)	(20,190,334)	(33,255,082)
Total comprehensive income	-	-	-	-	-	(24,139,850)	11,075,102	-	314,238,137	301,173,389	97,087,988	398,261,377
Dividends declared by Parent Company	-	-	-	-	-	-	-	-	(2,761,612)	(2,761,612)	-	(2,761,612)
Dividends declared by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(110,825,756)
Total dividends declared	-	-	-	-	-	-	-	-	(2,761,612)	(2,761,612)	(110,825,756)	(113,587,368)
Balances as at March 31, 2016	P\$102,961,622	P\$921,836,572	P\$154,578,328	(179,954,180)	P\$876,113,387	P\$75,917,708	P\$97,592,074	(P\$31,137,535)	P\$7,501,922,471	P\$9,719,830,447	P\$4,732,155,827	P\$14,451,986,274

See accompanying Notes to Consolidated Financial Statements

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

	Periods Ended March 31		
	2018	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	P587,458,589	P728,161,154	P514,411,222
Adjustments for:			
Depreciation and amortization	175,870,392	175,958,582	46,590,396
Interest and finance charges	82,145,007	65,396,921	74,741,121
Movement in accrued retirement liability	-	-	-
Dividend income	(650,000)	(1,488,000)	(20,188,142)
Interest income	(9,900,916)	(24,014,332)	(10,112,278)
Probable impairment of goodwill	-	-	-
Equity earnings in associates	(215,291,541)	(190,547,936)	40,121,057
Operating income working capital changes	619,631,531	753,466,389	645,563,376
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Accounts receivable	766,807,509	(264,945,199)	(3,030,964,775)
Loans receivable	(418,151)	(2,058,608)	(4,577,200)
Costs and estimated earnings in excess of billings on uncompleted contracts	(390,273,768)	(79,783,005)	623,523,761
Inventories	(130,466,594)	230,663,859	60,513,815
Prepaid expenses and other current assets	(159,350,422)	(126,809,339)	(109,773,736)
Financial asset at FVPL	(44,428)	(38,640)	-
Increase (decrease) in:			
Accounts payable and accrued expenses	455,890,591	471,515,028	93,448,441
Customers' deposits	5,444,629	2,585,880	2,953,526
Billings in excess of costs and estimated earnings on uncompleted contracts	(640,698,162)	(160,853,342)	1,209,707,635
Unearned tuition fees	(63,401,698)	(38,657,912)	(9,069,971)
Accrued retirement liability	141,287	(3,520,884)	(6,059,486)
Net cash generated from (used for) operations	463,262,324	781,564,227	(524,734,614)
Interest received	9,900,916	24,014,332	10,112,278
Interest and finance charges paid	(82,145,007)	(65,396,921)	(74,741,121)
Income tax paid	(46,608,717)	(104,756,024)	(8,837,725)
Net cash flows provided by (used in) operating activities	344,409,516	635,425,614	(598,201,182)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments received from (advances to) related parties	(1,913,778)	(2,373,550)	(9,857,105)
Investments in associates and joint ventures	(316,976,398)	(1,320,114)	(286,521,792)
Increase (decrease) in other noncurrent assets	22,219,294	(222,485,347)	(25,021,520)
Proceeds from disposals (acquisitions) of available-for-sale securities	782,315	22,013,739	582,620
Property, plant and equipment, net	(232,216,161)	(372,544,343)	(135,346,315)
Dividends received	650,000	1,488,000	20,188,142
Net Addition (deduction) to minority interest	(859,673)	8,455,264	(77,860,326)
Net cash flows used in investing activities	(528,314,401)	(566,766,351)	(513,836,296)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds (payments) from:			
Loans payable	(225,000,000)	(550,000,000)	2,765,000,000
Long-term debt	(122,966,753)	(122,905,947)	(117,263,400)
Lease liability	-	-	-
Redemption of preferred shares	-	(7,020,070)	(7,768,247)

Forward

	Periods Ended March 31		
	2018	2017	2016
Cash dividends paid	–	(2,915,296)	(2,761,612)
Net cash flows provided by (used in) financing activities	(347,966,753)	(682,841,313)	2,637,206,741
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(531,871,638)	(614,182,050)	1,525,169,262
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,967,498,425	2,393,201,221	2,339,213,766
CASH AND CASH EQUIVALENTS AT END OF PERIOD	₱1,435,626,787	₱1,779,019,171	₱3,864,383,028

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 March 31, 2018 and December 31, 2017, and for each of the three years in the period ended March 31, 2018.

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	–
Investment Managers, Inc. (IMI)	Philippines	Insurance agent, financing, trading and real estate	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	–
EEl Limited	British Virgin Islands	Holding company	US Dollar	–	100.00	–	100.00
Clear Jewel Investments, Ltd.	British Virgin Islands	Holding company	US Dollar	–	100.00	–	100.00
EEl Corporation (Singapore) Pte. Ltd. ^(b)	Singapore	Construction	Singapore Dollar	–	–	–	100.00
EEl Nouvelle-Caledonie SARL ^(b)	New Caledonia	Construction	French Franc	–	–	–	100.00
Nimaridge Investments, Limited	British Virgin Islands	Holding company	US Dollar	–	100.00	–	100.00
EEl (PNG), Ltd	Papua New Guinea	Holding company	US Dollar	–	100.00	–	100.00
EEl Corporation (Guam), Inc.	United States of 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
JP Systems Asia Inc. (JPSAI) ^(c)	Philippines	Rental of scaffolding and formworks	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
iPeople, Inc. (IPO)	Philippines	Education and Information Technology	Philippine peso	67.34	–	67.34	–
Malayan Colleges, Inc. (MCI)	Philippines	Education and Information Technology	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
Malayan Colleges Laguna, Inc. (MCLI)	Philippines	Education and Information Technology	Philippine peso	–	100.00	–	100.00
Malayan Colleges Mindanao, Inc. (MCMi)	Philippines	Education and Information Technology	Philippine peso	–	100.00	–	100.00
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, 2017. Adoption of these pronouncements did not have any significant impact on the Group's financial position or performance unless otherwise indicated.

- 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 Group has provided the required information in Notes 18, 19 and 20 to the Group financial statements. As allowed under the transition provisions of the standard, the Group Company did not present comparative information for the year ended December 31, 2016.

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

Pronouncements Issued but not yet Effective

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

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. The Group is currently assessing the impact of adopting this standard.

- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs 2014 - 2016 Cycle*)

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.

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

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*
- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*

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's 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 March 31, 2018 and of December 31, 2017.

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

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 11).

Derivative financial instruments

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

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

The Group has no derivative financial instruments as at March 31, 2018 and December 31, 2017.

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 ₱1.47 million and ₱1.34 million as of March 31, 2018 and December 31, 2017, 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 EBI 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 March 31, 2018 follows:

	Place of Incorporation	Nature of Business	Functional Currency	Percentage of Ownership	
				March 2018	December 2017
Associates:					
Hi-Eisai Pharmaceutical, Inc. (HEPI)	Philippines	Pharmaceutical	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 venture:					
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

carry forward 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 March 31, 2018 and December 31, 2017, 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 March 31, 2018 and December 31, 2017, the costs and estimated earnings in excess of billings on uncompleted contracts amounted to ₱4,143.5 million and ₱3,753.2 million, respectively. Billings in excess of costs and estimated earnings on uncompleted contracts amounted to ₱3,444.4 million and ₱4,085.1 million as of March 31, 2018 and December 31, 2017, 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 ₱6,319.0 million and ₱6,312.5 million as of March 31, 2018 and December 31, 2017, 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 March 31, 2018 and December 31, 2017 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 ₱45.4 million and ₱46.5 million as of March 31, 2018 and December 31, 2017, respectively whereas retirement liabilities amounted to ₱148.7 million and ₱148.6 million as of March 31, 2018 and December 31, 2017, 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 March 2018	Audited December 2017
Cash on hand and in banks	₱809,882,896	₱1,250,528,876
Short-term investments	625,743,891	716,969,549
	₱1,435,626,787	₱1,967,498,425

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 ₱9.86 million, ₱24.01 million and ₱10.11 million for the periods ended March 31, 2018, 2017 and 2016, respectively (Note 24).

7. Loans Receivable

Loans receivable consists of:

	Unaudited March 2018	Audited December 2017
Gross receivables	₱18,250,693	₱17,536,598
Less allowance for impairment	4,165,903	3,869,959
	14,084,790	13,666,639
Less noncurrent portion	3,650,139	3,507,320
Current portion	₱10,434,651	₱10,159,319

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

	Unaudited March 2018	Audited December 2017
Time loan principals	P25,921,695	P25,207,600
Unearned discount and interest	(7,671,002)	(7,671,002)
	18,250,693	17,536,598
Less allowance for impairment	4,165,903	3,869,959
	P14,084,790	P13,666,639

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 2018, 2017 and 2016. 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 March 2018	Audited December 2017
Secured loans		
Chattel mortgage	P6,928,996	P6,928,996
Real estate mortgage	17,343,209	16,629,114
	24,272,205	23,558,110
Unsecured loans	1,649,490	1,649,490
	P25,921,695	P25,207,600

- b) As to maturity

	Unaudited March 2018	Audited December 2017
Maturing within one year	P22,040,900	P21,326,805
Maturing one year to five years	3,880,795	3,880,795
	P25,921,695	P25,207,600

The changes in individually assessed allowance for impairment as at March 31 follow:

	Unaudited March 2018	Audited December 2017
Balance at beginning of year	P3,869,959	P4,053,542
Provision for impairment losses	313,343	380,000
Accounts written off	(17,399)	(563,583)
Balance at end of year	P4,165,903	P3,869,959

8. Accounts Receivables

This account consists of:

	Unaudited March 2018	Audited December 2017
Trade		
Construction and infrastructure (including retention receivable of ₱2.9 billion and ₱2.7 billion as of March 31, 2018 and December 31, 2017, respectively)	₱6,258,162,855	₱6,751,234,748
Car dealership	961,674,047	1,552,261,016
Education and information technology	154,609,455	159,320,973
Other services	72,967,333	75,631,683
Other receivables		
Receivable from customers	358,684,867	61,400,000
Consultancy fee	320,738,814	306,621,841
Receivable from sale of investment properties	122,465,095	121,760,316
Receivable from EEI RFI (Notes 17 and 22)	45,000,000	45,000,000
Advances to officers and employees	20,281,028	20,048,873
Receivables from plant	18,419,943	27,877,545
Rent receivable	1,060,523	399,328
Others	399,223,778	380,158,023
	8,733,287,738	9,501,714,346
Less allowance for impairment	199,554,681	201,173,780
	₱8,533,733,057	₱9,300,540,566

Trade receivables

The trade receivables are noninterest-bearing and collectible within one (1) year which consists of the following:

Receivable from construction and infrastructure

Receivables from construction and infrastructure 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 March 31, 2018 and December 31, 2017.

Other receivables

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

Receivable from sale of investment properties

On December 11, 2017, the Group sold a parcel of land located in Batangas for ₱466.7 million. Both parties agreed the selling price be settled in eight (8) semi-annual installments and shall bear annual interest rate of 2%.

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

Receivable from customers

In 2016, receivable from customers bear interest of 7.25% per annum and will mature in 2017. In 2017, trade receivables with gross value of ₱290.8 million (provided with allowance of ₱11.2 million) were reclassified to receivables from customers after the Group and the customers agreed to extend the credit terms. These receivables bear interest of 5% per annum and will be repaid in five (5) years' time.

Details of the abovementioned receivables follow:

	Unaudited March 2018	Audited December 2017
Receivable from sale of investment properties		
Current portion	₱122,465,095	₱121,760,316
Noncurrent portion (Note 16)	252,642,633	252,642,633
Receivable from EEI RFI		
Current portion	45,000,000	45,000,000
Noncurrent portion (Note 16)	133,000,000	133,000,000
Receivable from customers		
Current portion	358,684,867	61,400,000
Noncurrent portion (Note 16)	141,011,574	150,807,263

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 are interest-bearing and repaid on a monthly basis through salary deductions.

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

9. Inventories

This account consists of:

	Unaudited March 2018	Audited December 2017
At cost		
Land and land development	P217,558,940	P217,303,784
Subdivision lots and contracted units for sale	91,954,402	91,619,497
Raw lands	45,229,389	45,229,389
	354,742,731	354,152,670
At NRV		
Merchandise	839,915,927	651,266,483
Construction materials	14,396,825	74,421,644
Spare parts and supplies	38,938,878	37,686,970
	893,251,630	763,375,097
	P1,247,994,361	P1,117,527,767

The related costs of inventories recorded at NRV follow:

	Unaudited March 2018	Audited December 2017
Merchandise	P867,273,083	P679,423,637
Construction materials	14,396,825	74,421,644
Spare parts and supplies	57,190,451	55,938,544
	P938,860,359	P809,783,825

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 P1,827.7 million, P2,322.9 million and P1,863.8 million in March 31, 2018, 2017 and 2016, respectively (Note 25).

The rollforward of allowance for inventory obsolescence is as follows:

	Unaudited March 2018	Audited December 2017
Balances at beginning of year	P70,874,400	P45,228,031
Provisions (Note 28)	(800,000)	34,451,669
Reversals	-	(8,805,300)
Balances at end of year	P70,074,400	P70,874,400

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

	Unaudited March 2018	Audited December 2017
Balance at beginning of year	P354,152,670	P362,706,061
Repossessed inventories	-	-
Construction/development costs incurred	-	18,587,513
Disposals (recognized as cost of real estate sales)	590,061	(27,140,904)
Balances at end of year	P354,742,731	P354,152,670

No inventories were pledged as security to obligations as of March 31, 2018 and December 31, 2017.

10. Prepaid Expenses and Other Current Assets

This account consists of:

	Unaudited March 2018	Audited December 2017
Advances to suppliers and contractors	P632,324,048	P651,696,569
Creditable withholding taxes	368,622,256	317,959,744
Input value added tax (VAT)	234,376,829	138,938,652
Prepaid expenses	97,306,472	89,608,794
Miscellaneous deposits	75,091,272	78,266,698
Restricted funds	40,770,732	40,770,732
Advances to officers and employees	34,574,152	21,729,986
Prepaid taxes	24,794,841	19,957,723
Restricted cash investment	23,817,093	22,026,782
Unused office supplies	3,963,188	4,583,204
Others	46,097,820	36,849,397
	1,581,738,703	1,422,388,281
Less allowance for impairment	3,762,427	3,762,427
	P1,577,976,276	P1,418,625,854

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

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.

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

Restricted funds significantly pertain to funds invested in money market placements exclusively for use in CWTS, NSTP, for financing of scholars of certain private entities and for the purpose of undertaking socio-economic studies and development projects.

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 March 2018	Audited December 2017
Quoted shares - at fair value	P67,053,185	P70,037,553
Unquoted shares - at cost	379,547,640	379,547,640
	P446,600,825	P449,585,193

Rollforward analysis of the account follow:

	Unaudited March 2018	Audited December 2017
Balance at beginning of year	P449,585,193	P524,064,241
Additions	-	20,865,766
Disposals and redemption	-	(104,069,193)
Reclassification	-	(1,980,000)
Net unrealized gain (loss) recognized in other comprehensive income	(2,984,368)	10,704,379
	P446,600,825	P449,585,193

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

	Unaudited March 2018	Audited December 2017
Attributable to equity holders of the parent:		
Balance at beginning of year	P87,185,459	P79,859,050
Loss recognized in OCI	(2,202,053)	7,326,409
Balance at end of year	84,983,406	87,185,459
Noncontrolling interest:		
Balance at beginning of year	6,063,829	2,685,859
Loss recognized in OCI	(782,316)	3,377,970
Balance at end of year	5,281,513	6,063,829
	P90,264,919	P93,249,288

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

	Unaudited March 2018	Audited December 2017
PetroGreen Energy Corporation	P258,079,889	P258,079,889
Hermosa Ecozone Development Corporation	100,000,000	100,000,000
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	2,750,218	2,750,218
	P379,547,640	P379,547,640

12. Investments in Associates and Joint Venture

The rollforward analysis of this account follows:

	Unaudited March 2018	Audited December 2017
Acquisition cost		
Balances at beginning	₱4,114,397,589	₱3,320,189,223
Additions	332,570,006	–
Reclassification	–	794,208,366
Return of investments	–	–
Balance at end of year	4,446,967,595	4,114,397,589
Accumulated impairment loss	74,536,609	74,536,609
Accumulated equity in net earnings		
Balance at beginning of year	642,289,767	394,177,443
Equity in net earnings (losses)	215,291,541	289,372,254
Dividends received	(57,499,963)	(41,259,930)
Balance at end of year	800,081,345	642,289,767
Subtotal	5,172,512,331	4,682,150,747
Share in other comprehensive income of an associate	63,646,185	63,646,185
Equity in cumulative translation adjustment	136,367,492	75,417,034
	₱5,372,526,008	₱4,821,213,966

13. Property and Equipment

*Property and equipment at revalued amount
Movements in the revalued land are as follows:*

	Unaudited March 2018	Audited December 2017
Balance at beginning of year	₱6,312,509,812	₱4,955,173,600
Additions:		
Acquisition	–	934,327,800
Capitalizable costs	6,488,063	405,825,900
Appraisal increase	–	17,182,512
Balance at end of year	₱6,318,997,875	₱6,312,509,812

Capitalizable costs include taxes paid for purchase of land and borrowing costs. Borrowing costs capitalized as part of the cost of the land acquired in 2017 amounted to ₱6.5 million based on capitalization rate of 3.13% which is the interest rate of the specific borrowing.

As of December 31, 2017 and 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 and location among others. The significant unobservable valuation input is price per square meter (level 3 - Significant unobservable inputs). The parcels of land were valued in terms of their highest and best use.

Property and equipment at cost

The rollforward analysis of this account follows:

	Unaudited March 2018	Audited December 2017
At Cost		
Land, Buildings and Improvements	₱3,125,338,595	₱3,117,422,633
Machinery, Tools and Construction Equipment	5,037,564,101	4,901,377,474
Transportation and Service Equipment	1,267,018,883	1,388,034,898
Furniture, Fixtures and Office Equipment	2,435,864,664	2,324,244,550
	11,865,786,243	11,731,079,555
Less: Accumulated Depreciation	(6,383,286,951)	(6,161,976,919)
	5,482,499,292	5,569,102,636
Construction in Progress	1,153,198,694	1,016,737,644
Net book value at Cost	₱6,635,697,986	₱6,585,840,280

14. Goodwill

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

	Unaudited March 2018	Audited December 2017
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 March 31, 2018		
	Land Held for Capital Appreciation	Condominium Units and Parking Slots	Total
Cost			
Balances at beginning of year	₱13,680,421	₱11,759,374	₱25,439,795
Additions	-	-	-
Disposals	(1,579,517)	(538,400)	(2,117,917)
Balances at end of year	12,100,904	11,220,974	23,321,878
Accumulated Depreciation and Amortization			
Balances at beginning of year	-	6,724,293	6,724,293
Additions	-	155,243	155,243
Disposals	-	(1,610,070)	(1,610,070)
Balances at end of year	-	5,269,466	5,269,466
Net Book Value	₱12,100,904	₱5,951,508	₱18,052,412

Audited December 31, 2017			
	Land Held for Capital Appreciation	Condominium Units and Parking Slots	Total
Cost			
Balances at beginning of year	P194,030,421	P24,507,418	P218,537,839
Reversal of impairment	14,182,841	-	14,182,841
Reclassification	1,980,000	-	1,980,000
Disposals	(196,512,841)	(12,748,043)	(209,260,884)
Balances at end of year	13,680,421	11,759,375	25,439,796
Accumulated Depreciation			
Balances at beginning of year	-	12,103,242	12,103,242
Depreciation (Note 29)	-	979,946	979,946
Disposals	-	(6,358,895)	(6,358,895)
Balances at end of year	-	6,724,293	6,724,293
Net Book Value	P13,680,421	P5,035,082	P18,715,503

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 2018 and 2017.

None of the investment properties were pledged as a security to obligations as of March 31, 2018 and December 31, 2017.

16. Other Noncurrent Assets

This account consists of:

	Unaudited March 2018	Audited December 2017
Receivable from sale of investment property - net of current portion (Note 8)	P252,642,633	P252,642,633
Deferred input VAT	205,064,734	226,209,383
Receivable from customers - net of current portion (Note 8)	141,011,574	150,807,263
Receivable from EEI-RFI - net of current portion (Notes 8)	133,000,000	133,000,000
Computer software	18,934,888	13,476,188
Others	37,416,817	32,411,521
	P788,070,646	P808,546,988

Rollforward of computer software follows:

	Unaudited March 2018	Audited December 2017
Cost		
Balance at the beginning of the year	₱123,869,767	₱105,095,475
Additions	6,639,030	18,774,291
Balance at the end of the year	130,508,797	123,869,766
Accumulated Amortization		
Balance at the beginning of the year	110,393,578	91,322,803
Amortization (Note 29)	1,180,331	19,070,775
Balance at the end of the year	111,573,909	110,393,578
Net Book Value	₱18,934,888	₱13,476,188

As of March 31, 2018 and December 31, 2017, the remaining amortization period of the software range from 4 months to 2 years.

17. Accounts Payable and Accrued Expenses

This account consists of:

	Unaudited March 2018	Audited December 2017
Accounts payable	₱4,621,577,119	₱4,241,886,166
Deferred output taxes	518,806,987	573,701,211
Accrued expenses	319,597,791	335,267,975
Provisions	140,295,041	142,976,418
Withholding taxes and others	96,034,157	87,450,053
Output tax payable	197,185,223	17,855,181
Subscriptions payable	31,988,718	31,988,718
SSS and other contributions	8,855,642	28,716,373
Dividends payable	22,027,007	25,113,996
Chattel mortgage payable	6,853,545	12,156,245
Deferred income	5,135,250	6,041,506
Payable to PTC	1,466,479	1,340,016
Others	72,243,794	81,682,304
	₱6,042,066,753	₱5,586,176,162

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 March 2018	Audited December 2017
Accrued salaries and wages	₱147,463,033	₱125,239,867
Accrued insurance	28,347,909	35,616,733
Accrued professional fees	5,354,291	14,271,684
Accrued interest	9,888,131	11,002,531
Accrued security services	10,452,519	10,447,373
Accrued rent	9,814,754	9,814,754
Accrued utilities	4,480,319	3,613,796
Others	103,796,835	125,261,237
	₱319,597,791	₱335,267,975

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

On January 12, 2016, a service agreement was executed between MCLI and PTC to support the services to be rendered by PTC related to Mapua-PTC CMET such as the provision of adequate facilities for the conduct of training requirements of the students, support in scholarship programs and ship-board trainings, and support in obtaining grants and donations from international shipping companies.

In consideration for the above services, PTC will bill MCLI a service fee commensurate to the services. PTC charged service fee amounting to ₱1.11 million in 2017.

Other noncurrent liability pertains to the noncurrent portion of the deferred output tax that are expected to be collected amounting to ₱158.4 million as of March 31, 2018 and December 31, 2017, respectively, beyond 1 year from the end of reporting period.

18. Loans Payable

This account consists of:

	Unaudited March 2018	Audited December 2017
Unsecured bank loans	₱7,460,000,000	₱7,685,000,000

Unsecured

Unsecured bank loans are obtained from local banks and related party financial institutions with annual interest rates ranging from 2.50% to 4.00% and 2.50% to 3.27% in 2017 and 2016, respectively. The Group availed loans amounting to ₱892.0 million specifically for the acquisition of a parcel of land in Makati City and loans amounting to ₱940 million specifically for the construction of MCMC school building in Davao in 2017.

19. Long-term Debt

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

	Unaudited March 2018	Audited December 2017
<i>Parent Company</i>		
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%	₱565,561,459	₱578,830,550
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	565,561,460	578,830,550
Peso-denominated five (5) year term loan, payable in twenty (20) equal quarterly installments starting March 2016 with interest of 5.11% per annum	275,000,000	300,000,000
<i>EEI</i>		
Fixed-rate corporate promissory notes with interest rate of 4.80% per annum	821,428,571	875,000,000
<i>EEI Power</i>		
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.	321,428,571	339,285,714
	2,548,980,061	2,671,946,814
Less current portion of long-term debt	491,796,940	491,865,198
	₱2,057,183,121	₱2,180,081,616

Parent Company

On September 17, 2013, the Parent Company obtained interest-bearing loans from various local commercial banks which were executed through individual loan agreements with chattel mortgage. Each interest-bearing loan has a term of ten years. Fifty percent (50%) of the total loan will be paid on the 10th year, while the remaining 50% of the loan, inclusive of a three (3) year grace period on principal payment, will be paid in 28 quarterly 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.

On December 16, 2015, the Parent Company acquired from BPI loan amounting ₱500.0 million, payable within five (5) years. The proceeds of the loan were used for general financing requirements and working capital purposes.

In 2017, the Parent Company's creditors released all of the former's deed of collateral on its long-term debt (Note 13).

EEI

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% starting May 26, 2015 until maturity. The promissory notes mature within seven (7) years from the date of issuance.

On June 15, 2015, the Parent Company received ₱1,000.0 million proceeds from the issuance of an unsecured fixed-rate corporate promissory note to a local bank that bears annual interest of 4.8%. The promissory note matures within seven (7) years from the date of issuance.

The proceeds from the promissory notes were used for general corporate and project financing requirements.

Interest expense incurred on these corporate notes amounted to ₱37.4 million, ₱47.9 million and ₱40.1 million in 2017, 2016 and 2015, respectively.

EEI Power Corporation

On August 28, 2015, EEI Power availed a ₱500.0 million long-term loan from a local bank that bears an annual interest of 4.8%. The loan is payable in equal quarterly installments and will mature on August 27, 2022.

The aforementioned loans require the Group to maintain certain financial ratios. As of March 31, 2018 and December 31, 2017, 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 March 31, 2018 amounted to ₱2,683.4 million.

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

Restrictions

The Group's retained earnings include accumulated earnings of subsidiaries, associate and joint venture amounting to ₱6,579.4 million and ₱6,472.2 million as of March 31, 2018 and December 31, 2017, 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 March 31, 2018 and as at December 31, 2017 and 2016 follows:

	2018		2017		2016	
	Amount	Shares	Amount	Shares	Amount	Shares
Beginning of the year	₱253,758,109	634,395,272	₱280,802,820	702,007,052	₱310,729,869	776,824,673
Redemption of preferred stock	-	-	(27,044,711)	(67,611,780)	(29,927,049)	(74,817,621)
Conversion of preferred stock to common stock (Note 40)	-	-	-	-	-	-
	₱253,758,109	634,395,272	₱253,758,109	634,395,272	₱280,802,820	702,007,052

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:

	2018		2017		2016	
	Amount	Shares	Amount	Shares	Amount	Shares
Beginning of the year	₱924,444,172	616,296,114	₱924,444,172	616,296,114	₱924,444,172	616,296,114
Conversion of preferred stock to common stock	-	-	-	-	-	-
	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
April 6, 2018	₱6,343,953	₱0.40	May 3, 2018	May 30, 2018
	₱6,343,953			
March 31, 2017	₱7,020,070	₱0.40	April 28, 2017	May 21, 2017
July 21, 2017	6,844,569	0.40	August 18, 2017	September 12, 2017
September 29, 2017	6,673,454	0.40	October 27, 2017	November 24, 2017
December 8, 2017	6,506,618	0.40	January 4, 2018	January 30, 2018
	27,044,711			
March 31, 2016	₱7,768,247	₱0.40	April 28, 2016	May 24, 2016
July 15, 2016	7,574,040	0.40	August 12, 2016	September 8, 2016
September 30, 2016	7,384,690	0.40	October 28, 2016	November 24, 2016
December 2, 2016	7,200,072	0.40	December 29, 2016	January 23, 2017
	₱29,927,049			

On 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;

- c) 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;
- d) 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
- e) With voting rights and preferences as to assets upon dissolution of the Parent Company over common shareholders.

Below is the summary of the outstanding number of shares and holders of security as at March 31, 2018:

Year	Number of shares registered	Issuc/offer price	Date of approval	Number of holders of securities as of year end
Preferred shares:				
January 1, 2017	776,824,673			48
Movement:	(17,550,176)	0.40	March 31, 2017	
	(17,111,422)	0.40	July 21, 2017	
	(16,683,636)	0.40	September 29, 2017	
	(16,266,546)	0.40	December 8, 2017	
December 31, 2017	634,395,272			48
Conversion	–			
December 31, 2017	634,395,272			
Movement:	–			
March 31, 2018	634,395,272			48
Common Shares:				
January 1, 2017	615,996,114			402
Movement	–	–		
December 31, 2017	615,996,114			402
Movement	–	–		
March 31, 2018	615,996,114			393

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 393, respectively, as of March 31, 2018 and 48 and 394, as of December 31, 2017, 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		
April 6, 2018	P2,949,050	P0.004	P-	May 3, 2018	May 20, 2018
	P2,949,050				
Forward					
March 31, 2017	P2,915,295	P0.004	P-	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
	P60,452,310				
March 31, 2016	P2,761,612	P0.004	P-	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
	P63,659,496				

23. Earnings Per Share

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

Unaudited basic earnings per share

	January to March 31		
	2018	2017	2016
Net income attributable to equity holders of parent company	P324,474,680	P404,614,454	P314,238,137
Less dividends attributable to preferred shares (Note 21)	-	2,915,295	2,761,612
Net income applicable to common shares	324,474,680	401,699,159	311,476,525
Divided by the weighted average number of common shares	615,996,114	615,996,114	615,896,757
Basic earnings per share	P0.5267	P0.6521	P0.5057

Unaudited diluted earnings per share

	January to March 31		
	2018	2017	2016
Net income applicable to common shares	₱324,474,680	₱401,699,159	₱311,476,525
Add dividends attributable to preferred shares	–	2,915,295	2,761,612
Net income applicable to common shares for diluted earnings per share	324,474,680	404,614,454	314,238,137
Weighted average number of common shares	615,996,114	615,996,114	615,896,757
Dilutive shares arising from convertible preference shares	169,172,073	182,521,834	201,974,415
Weighted average number of common shares for diluted earnings per share	785,168,187	798,517,948	817,871,172
Diluted earnings per share	₱0.4133	₱0.5067	₱0.3842

24. Other Income

This account consists of:

	January to March 31		
	2018	2017	2016
Foreign exchange loss	₱42,574,888	₱2,325,758	₱3,918,851
Dealers Income	28,258,216	30,832,125	24,185,275
Commission income	27,042,224	28,662,503	15,145,154
Interest income	9,856,488	24,014,332	10,112,278
Insurance income	5,058,168	3,608,755	4,017,379
Rental income	2,835,807	3,321,332	3,381,865
Gain on sale from investment property	1,804,343	841,691	8,111,000
Income from reversal of payables	1,077,340	46,411,776	704,438
Gain on sale from property and equipment	932,162	638,490	1,373,899
Income from sale of pre-owned cars	395,976	108,220	107,339
Refund and discount	58,732	605,456	–
Gain on redemption of preferred stock	–	23,647,500	–
Income from defaults	–	2,162,255	1,739,531
Gain on sale from AFS securities	–	–	2,938,571
Miscellaneous	12,001,727	10,392,760	10,152,592
	₱131,896,071	₱177,572,953	₱85,888,172

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 March 31		
	2018	2017	2016
Cash in banks and short-term investments	₱3,143,398	₱14,955,819	₱4,386,142
Installment contract receivable	3,028,684	6,196,388	2,789,000
Receivable from EE1-RFI	1,986,607	2,488,839	3,080,000
Receivable from related parties	385,440	30,578	(142,864)
Others	1,312,360	342,708	—
	₱9,856,489	₱24,014,332	₱10,112,278

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 March 31		
	2018	2017	2016
Cost of services			
Cost of construction contracts	₱3,458,356,560	₱ 2,975,877,601	₱2,999,646,000
Cost of manpower and other services	388,141,185	338,920,689	278,799,158
	3,846,497,745	3,314,798,290	3,278,445,158
Cost of goods sold			
Cost of merchandise sold	1,827,736,544	2,322,946,978	1,863,758,301
Cost of real estate sold	4,121,200	7,519,747	—
	1,831,857,744	2,330,466,725	1,863,758,301
Cost of school and related operations	318,468,261	308,542,695	300,849,006
	₱5,996,823,750	₱5,953,807,710	₱5,443,052,465

26. Tuition and other fees

This amount consists of:

	January to March 31		
	2018	2017	2016
Personnel expenses	₱148,429,458	₱143,726,844	₱149,460,598
Depreciation and amortization	49,435,516	47,396,503	45,013,966
Student-related expenses	38,794,263	39,355,481	35,947,862
Management and other professional fees	27,141,405	26,927,517	24,247,333
Utilities	19,143,394	19,968,566	20,096,390
IT Expense - Software	7,964,233	286,526	5,757,846
Tools and library books	7,049,196	3,956,010	2,692,806
Periodicals	4,169,070	5,659,086	2,162,761
Repairs and maintenance	3,694,595	5,183,136	2,421,120
Accreditation cost	2,396,617	3,095,965	587,314
Seminar	2,136,895	1,850,628	2,237,340

Forward

	January to March 31		
	2018	2017	2016
Office supplies	1,764,382	1,452,813	1,057,245
Advertising	1,708,889	1,765,949	2,865,630
Research and development	1,450,090	3,291,865	1,294,592
Insurance	1,291,398	1,394,737	1,277,142
Laboratory supplies	615,638	1,710,538	2,470,803
Taxes and licenses	492,957	625,847	482,765
Transportation and travel	203,022	94,900	204,235
Entertainment, amusement and recreation	138,841	118,546	82,314
Rent	38,850	229,536	145,544
Miscellaneous	409,552	451,702	343,400
	₱318,468,261	₱308,542,695	₱300,849,006

27. General and Administrative Expenses

This account consists of:

	January to March 31		
	2018	2017	2016
Personnel expenses	₱250,617,389	₱222,606,074	₱206,795,227
Rent, light and water	59,744,947	57,298,923	50,881,263
Depreciation and amortization	49,137,799	46,523,466	44,540,107
Taxes and licenses	41,166,705	29,811,273	31,477,089
Transportation and travel	21,382,503	16,130,000	14,280,898
Advertising and promotions	19,953,648	27,354,420	21,265,766
Professional fees	16,930,633	16,156,766	14,854,708
Securities and utilities	13,321,023	11,018,357	11,215,526
Entertainment, amusement and recreation	11,237,080	19,870,659	14,795,707
Management and other fees	8,652,923	9,636,062	9,916,343
Direct expenses	7,101,693	11,822,804	10,405,630
Commissions	7,042,743	6,939,774	8,480,059
Repairs and maintenance	6,910,146	7,761,977	6,424,852
Office expenses	5,150,803	6,215,950	7,040,389
Insurance	3,327,213	5,156,003	4,261,709
Seminars	767,786	431,328	368,843
Donations and contributions	350,073	51,944	1,112,250
Provision for probable losses	313,343	(952,928)	72,423
Accreditation cost	10,000	-	-
Loss (recovery) on damaged properties	-	-	(600,000)
Provision (recovery) for inventory obsolescence	(800,000)	(860,000)	-
Miscellaneous	38,204,641	31,730,171	43,949,939
	₱560,523,091	₱524,703,023	₱501,538,728

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 ₱16.05 million, ₱14.68 million and ₱110.82 million as at March 31, 2018, 2017 and 2016, 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.

Property management - represents property and project management services of the Group.

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 March 31, 2018 and 2017

	Construction and Infrastructure		Car Dealership		Education and Information Technology		Property Management		Other Services		Eliminations		Consolidated	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Revenues	4,332,927,699	3,681,088,761	2,110,672,692	2,627,019,477	487,622,407	542,732,326	51,906,386	53,788,045	129,292,198	61,294,301	(232,658,557)	(61,914,993)	6,879,762,825	6,903,947,918
Net Income (Loss)	283,728,801	290,454,734	17,799,295	23,810,922	106,184,077	146,529,009	15,540,695	16,354,385	183,482,049	143,108,457	(114,779,692)	(31,269,210)	491,955,234	589,488,798
Other Information														
Segment Assets	21,639,600,142	21,392,316,579	3,068,727,112	3,800,330,537	8,053,133,796	7,896,656,272	170,213,232	167,087,013	5,829,851,487	5,555,404,059	(1,452,311,426)	(1,459,056,638)	37,309,214,343	37,352,707,822
Segment Liabilities	14,643,607,695	14,716,891,755	1,278,888,907	1,651,362,970	1,971,738,020	1,871,535,860	124,364,115	121,779,092	2,950,689,213	3,148,047,202	(519,402,059)	(588,332,639)	20,449,865,801	21,001,284,240
Investments in Associates	2,557,136,251	2,177,093,966	-	-	-	-	57,500,000	57,500,000	4,269,421,403	4,036,851,397	(1,359,781,646)	(1,398,391,396)	5,372,526,008	4,821,213,966

HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES
SUPPLEMENTARY INFORMATION AND DISCLOSURES REQUIRED ON
SRC RULE 68 AS AMENDED
March 31, 2018

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 ₱446.60 million do not constitute 5% or more of the total current assets of the Group as at March 31, 2018.

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 March 31, 2018:

Name	Balance at beginning of year	Additions	Collections/ Liquidations	Balance at end of period
<i>EEI Group</i>				
Macapagal, Norman K.	₱1,532,896	₱ 17,228	(₱18,070)	₱ 1,532,054
Marco, Dindo H. Realin	668,405	-	-	668,405
Abrenica, Frances Estrella S.	357,090	-	-	357,090
Nacpil, Almario R.	348,384	-	-	348,384
Puyat, Gil S.	280,002	-	-	280,002
Tamos Jr. Eduardo C.	241,945	-	(15,000)	226,945
Menchero, Fortunato S.	179,080	-	(3,000)	176,080
Muyco, Roberto P.	170,621	-	(30,000)	140,621
Penas, Abrilleno F.	168,120	-	(8,000)	160,120
Alcaraz, Jimmy S.	142,845	-	(6,000)	136,845
Nicol, Franklyn N.	124,574	-	(18,000)	106,574
Albarda, Joh Christian	123,169	-	(7,200)	115,969
Alonzo, Antonina J.	121,292	-	-	121,292
Bayeta, Eddie S.	118,324	-	-	118,324
Lanchica, Ryan H.	117,143	-	-	117,143
Satur, Salustiano O.	111,947	-	(5,000)	106,947
Burgos, Manuel B.	108,150	-	-	108,150
Montecalvo, Dennis S.	108,115	-	-	108,115
Espiritu, Jaime S.	107,784	-	-	107,784
Villanueva, Jose P.	103,915	-	-	103,915
Bundalian, Rolando S.	101,760	-	-	101,760
Agtoto, Jerry O.	100,000	-	-	100,000
Padrique, Danilo N.	100,000	-	-	100,000
Aguilar, Mary June O.	-	200,000	-	200,000
Cubillan, Ernesto T.	-	140,937	-	140,937
Sy Alvarado, Eugenio M.	-	110,000	-	110,000
Ylagan, Emmanuel P.	-	716,654	-	716,654
	₱5,535,561	₱1,184,819	(₱110,270)	₱6,610,110

Forward

Name	Balance at beginning of year	Additions	Collections/ Liquidations	Balance at end of period
<i>iPeople Group</i>				
Tiongco, Danilo R.	P417,099	P-	P23,172	P393,927
Teodoro, Gloria	-	390,000	-	390,000
Caparanga, Alvin	-	377,000	-	377,000
Mercado, Julius Ceasar P.	398,200	-	(30,970)	367,230
Camacho, Margarita	383,480	-	(25,347)	358,133
Costales, Aloysius Nathaniel	389,668	-	(32,479)	357,189
Robielos, Rex Aurelius	621,299	-	(265,524)	355,775
Hofilena, Joy	374,354	-	(18,875)	355,479
Kikuchi, Khristian	374,354	-	(18,875)	355,479
Medrano, Anthony H.	371,208	-	(18,875)	352,333
Salayo, John Vincent	371,190	-	(18,875)	352,333
Austria, Maria Rhodora	366,698	-	(23,406)	343,292
Sabino, Lilibeth	309,167	-	(18,550)	290,617
Agbulos, Erlin C.	312,827	-	(22,343)	290,484
Lanuza, Dionisia	302,100	-	(15,900)	286,200
Gochioco, Geraldine	297,584	-	(18,755)	278,829
Salvacion, Jonathan	286,362	-	(18,475)	267,887
Songsong, Maribel	272,800	-	(18,600)	254,200
Francisco, Ruth C.	232,373	-	(20,244)	212,129
Adanza, Carina Victoria T.	221,729	-	(18,475)	203,254
Sauquillo, Dante	211,888	-	(18,975)	192,913
Tablante, Dennis H.	175,933	-	(9,425)	166,508
Doma, Bonifacio T. Jr.	175,519	-	(9,488)	166,031
Papas, Aileen Kate A.	155,494	-	(22,213)	133,281
Ballado, Alejandro Jr.	146,800	-	(18,350)	128,450
Balan, Ariel Kelly	143,742	-	(18,350)	125,392
Geguiento, Edgardo P.	130,075	-	(18,150)	111,925
Camus, Rosette Eira	124,879	-	(18,275)	106,604
	P7,566,822	P767,000	(P760,948)	P7,572,874
<i>HI-Parent</i>				
Monserate, Lalaine Pena	P475,531	21,832	(46,230)	451,133
Estrella, Joselito D.	-	517,435	(113,191)	404,245
Fabi, Sharon O.	-	360,763	(15,783)	344,980
Rafael, Victor V.	-	571,679	(240,745)	330,934
Panelo, Danilo P	342,298	4,895	(25,905)	321,288
Bautista, Maria Teresa	331,388	2,635	(29,232)	304,790
De Lara, Ma. Elisa	321,872	3,804	(33,920)	291,756
Nuguid, Marissa P.	298,448	4,396	(20,647)	282,196
Bassig, Clarissa	236,584	2,348	-	238,932
Cacho, Chona B.	298,121	4,314	(25,710)	276,725
Galang, Alexander G.	225,566	1,723	(42,434)	184,856
Villegas, Sonia P	208,431	4,637	(33,115)	179,953
Joven, Ma. Esperenza F	198,146	3,219	(36,715)	164,650
Apsay, Christopher C.	177,349	4,721	(24,698)	157,372
Tanjangco, Joey	177,221	4,030	(28,999)	152,252
Cajes, Cieolo M.	137,080	3,133	(28,921)	111,293
	P3,428,035	P1,515,564	(P746,245)	P4,197,355
Total	P16,530,418	P3,467,383	(P1,617,463)	P18,380,339

iPeople and HI-Parent's advances mainly pertain to the officers and employees car plan agreements. Such advances are interest-bearing and are 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 March 31, 2018:

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	P879,425	P1,187,904	(P1,942,331)	P-	P124,998
Dividends receivable	28,000,000	15,000,000	(5,000,000)	-	38,000,000
	28,879,425	16,187,904	(6,942,331)	-	38,124,998
<i>Grayhounds Security and Investigation Agency Corporation</i>					
Due from affiliates	790,047	164,075	(911,203)	-	42,919
<i>Investment Managers, Inc.</i>					
Due from affiliates	398,649	1,449,897	(1,178,993)	-	669,553
Dividends receivable	750,000	-	-	-	750,000
	1,148,649	1,449,897	(1,178,993)	-	1,419,553
<i>iPeople, inc. and subsidiaries</i>					
Due from affiliates	8,863,995	17,823,297	(20,590,610)	-	6,096,682
Dividends receivable	58,864,678	30,185,925	(35,114,660)	-	53,935,943
	67,728,673	48,009,222	(55,705,270)	-	60,032,625
<i>EEI Corporation and subsidiaries</i>					
Due from affiliates	611,820	1,142,562	(883,854)	-	870,528
<i>Zamboanga Industrial Finance Corporation</i>					
Dividends receivable	-	1,300,000	-	-	1,300,000
<i>Zambowood Realty and Development Corp.</i>					
Due from affiliates	-	3,265	-	-	3,265
Dividends receivable	-	4,000,000	-	-	4,000,000
	-	4,003,065	-	-	4,003,265
<i>Xandu Motors, Inc.</i>					
Due from affiliates	-	300	-	-	300
	P99,158,614	P72,257,025	(P65,621,651)	-	P105,794,188

These receivables are non-interest bearing and are expected to be settled within the next twelve months.

Schedule D. Intangible Asset - Other Noncurrent Assets

As at March 31, 2018, 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	P471,357,459	P-	P-	P-	P-	P471,357,459
Computer Software	13,476,189	6,639,030	(1,180,331)	-	-	18,934,888
	P484,833,648	P6,639,030	(1,180,331)	P-	P-	P490,292,347

Schedule E. Long-term Debt

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

<u>Type of Obligation</u>	<u>Amount</u>	<u>Current</u>	<u>Noncurrent</u>
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%.	P565,561,459	P53,041,327	P512,520,132
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.	565,561,460	53,041,328	512,520,132
Peso-denominated five (5) year term loan, payable quarterly starting March 2016 with interest of 5.11% per annum	275,000,000	100,000,000	175,000,000
EEl			
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.	821,428,571	214,285,714	607,142,857
EEl 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	321,428,571	71,428,571	250,000,000
	P2,548,980,061	P491,796,940	P2,057,183,121

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

As at March 31, 2018, the Group has no long-term loans from its related parties.

Schedule G. Guarantees of Securities of Other Issuers

There are no guarantees of securities of other issuing entities by the Group as at March 31, 2018.

Schedule H. Capital Stock

<u>Title of issue</u>	<u>Number of shares authorized</u>	<u>Number of shares issued and outstanding as shown under related statement of financial position caption</u>	<u>Number of shares held by related parties</u>	<u>Directors, Officers and Employees</u>	<u>Others</u>
Common shares	1,250,000,000	615,996,114	294,759,570	2,695,400	318,541,144
Preferred shares	2,500,000,000	634,395,272	237,974,016	-	396,421,256

HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES

**RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND
DECLARATION**

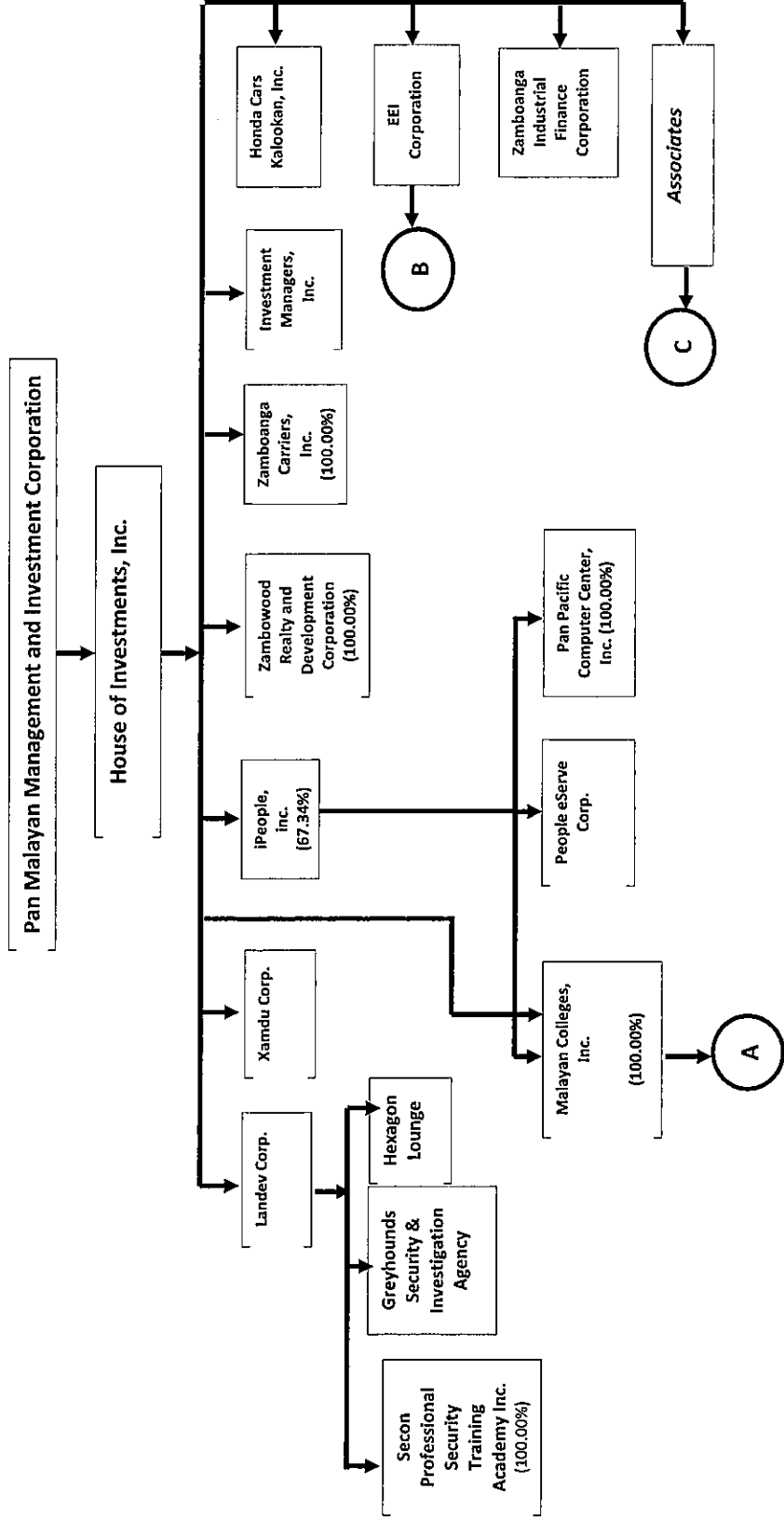
FOR THE QUARTER ENDED MARCH 31, 2018

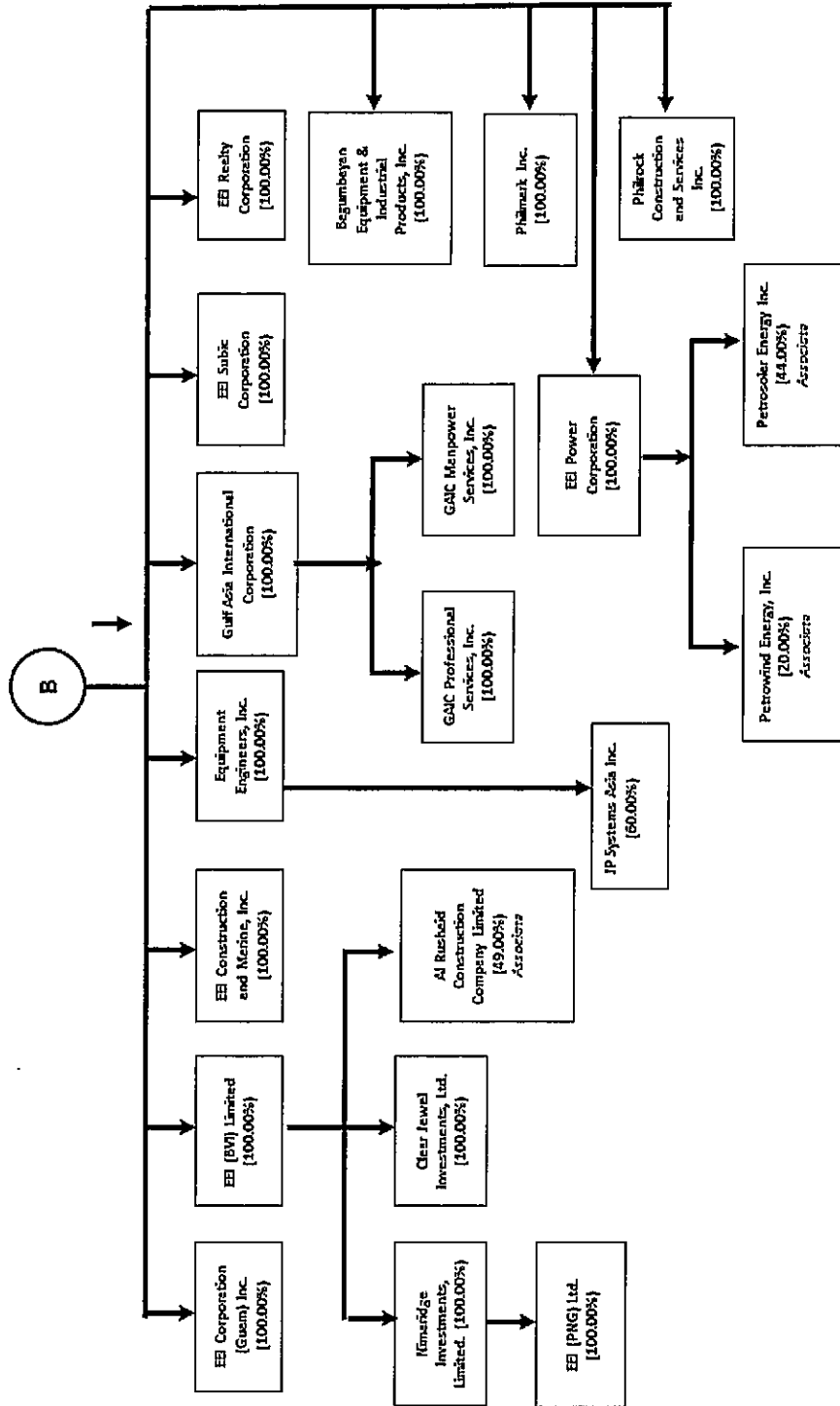
Unappropriated retained earnings, beginning	₱2,578,886,755
Less: Deferred tax asset	-
Treasury shares	2,607,600
Unappropriated retained earnings, as adjusted to amount available for dividend declaration, beginning	2,576,279,155
Net income during the year closed to retained earnings	107,151,830
Less movement in deferred tax asset that increased net income	-
Net income actually earned during the period	107,151,830
Dividend declared	-
UNAPPROPRIATED RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION, ENDING	₱2,683,430,985

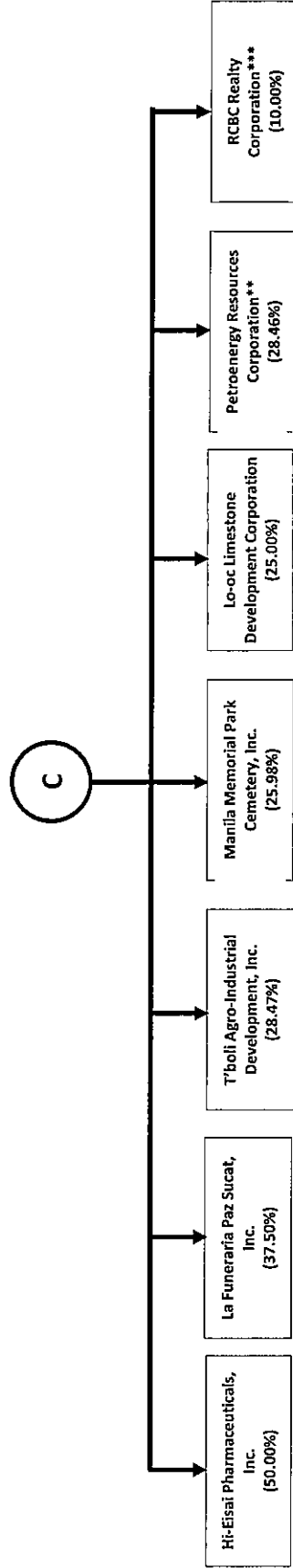
HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES
MAP OF RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP

Group Structure

Below is a map showing the relationship between and among the Group and its ultimate parent company, subsidiaries, and associates as of March 31, 2018:







* In 2015, the Group purchased additional 41.9 million shares resulting to an increased ownership interest from 50.32% to 54.36%.

** On February 21, 2013, significant influence was obtained through piecemeal acquisition. In 2014, the Group purchased additional 6.6 million shares of PERC increased ownership interest from 20.00% to 22.41%.

*** On September 17, 2013, the Group acquired 10.00% ownership in RRC. The Group was able to exercise significant influence since it has the capacity to participate in the financial and operating decisions of RRC through common key management and representation to the Board of Directors

HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES
SCHEDULE OF ALL THE EFFECTIVE STANDARDS AND
INTERPRETATIONS UNDER PFRS AS OF MARCH 31, 2018

Below is the list of all effective PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC) as of March 31, 2018:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of March 31, 2018		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			✓

*Not early adopted

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of March 31, 2018		Adopted	Not Adopted	Not Applicable
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	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	Financial Instruments		✓*	
	Amendments to PFRS 9: Prepayment Features with Negative Compensation		✓*	

*Not early adopted

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of March 31, 2018		Adopted	Not Adopted	Not Applicable
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Transition Guidance	✓		
	Amendments to PFRS 10: Investment Entities			✓
	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	✓		
	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		✓*	

*Not early adopted

**Effectivity was deferred by the Financial Reporting Standards Council

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS				
Effective as of March 31, 2018		Adopted	Not Adopted	Not Applicable
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	✓		
	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	✓		
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			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of March 31, 2018		Adopted	Not Adopted	Not Applicable
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	✓		
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			✓
	Amendments to PAS 28: Long-term Interests in Associates and Joint Ventures		✓*	
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and 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	✓		

*Not early adopted

**Effectivity was deferred by the Financial Reporting Standards Council

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS				
Effective as of March 31, 2018		Adopted	Not Adopted	Not Applicable
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: 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			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS				
Effective as of March 31, 2018		Adopted	Not Adopted	Not Applicable
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)			✓**	

**Not early adopted*

***Only amendment to PFRS 12, Clarification of the Scope of the Standard, was adopted in 2017. The amendment to PAS 28, Measuring an Associate or Joint Venture at Fair Value will be adopted in 2018.*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS				
Effective as of March 31, 2018		Adopted	Not Adopted	Not Applicable
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	Determining Whether an Arrangement Contains a Lease			✓
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment	✓		
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	✓		
	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			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of March 31, 2018		Adopted	Not Adopted	Not Applicable
IFRIC 22	Foreign Currency Transactions and Advance Consideration		✓*	
IFRIC 23	Uncertainty over Income Tax Treatments		✓*	
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			✓
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

**Not early adopted*

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 March 31, 2018. 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 MARCH 31, 2018

	TOTAL	No. of days due		
		0-30	31-60	Over 61 days
Construction	₱6,258,162,855	₱3,819,416,000	₱683,535,000	₱1,755,211,855
Car Dealership	961,674,047	668,748,797	151,416,666	141,508,584
Education and Information				
Technology	154,609,455	103,806,299	26,066,332	24,736,824
Parent and Others	1,358,841,381	799,743,716	275,437,864	283,659,802
Total	8,733,287,738	5,391,714,812	1,136,455,862	2,205,117,065
Less: Allowance for doubtful accounts	(199,554,681)	-	-	(199,554,681)
	₱8,533,733,057	₱5,391,714,812	₱1,136,455,862	₱2,005,562,384

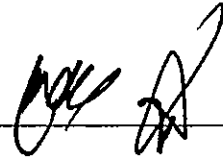
SIGNATURES

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 May ___, 2018.

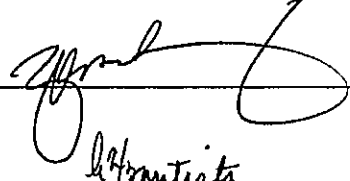
IN WITNESS WHEREOF, we have hereunto affixed our signatures and the seal of the Corporation this MAY 15 2018 day of May, 2018 at Makati City.

By:

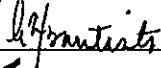
Medel T. Nera
President & CEO



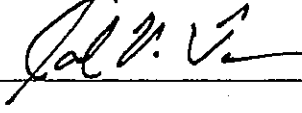
Gema O. Cheng
EVP-Finance, COO, CFO & Treasurer



Maria Teresa T. Bautista
VP -Controller




Atty. Samuel V. Torres
Corporate Secretary



SUBSCRIBED AND SWORN to before me this MAY 15 2018 day of MAY, 2018, at CITY OF MAKATI. Affiant exhibited to me their Residence Certificate Numbers indicated below each name.

Names	Document No.	Date & Place of Issue/Expiration
Medel T. Nera	P1271862A	12-19-2016 Manila / 12-18-2021
Gema O. Cheng	DL#N06-84-036923	12-14-2017 Mandaluyong / 12-08-2022
Maria Teresa T. Bautista	DL#6-92-094899	11-23-2017 Makati / 11-23-2022
Atty. Samuel V. Torres	DL#13-83-001463	11-08-2017 QC / 11-10-2022

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Page No. 16 ;
Book No. 56 ;
Series of 2018


ATTY RAYMOND A. RAMOS
COMMISSION NO. M-277
NOTARY PUBLIC FOR MAKATI CITY
UNTIL DECEMBER 31, 2018
NO. 15 J.P. RIZAL EXTN. COR. TANGUILE ST
COMEMBO, MAKATI CITY
SC Roll No. 62179/04-26-2013
IBP NO. 022957/01-04-2013/Pasig City
PTR NO MKT-6614630, 01-03-2018/MAKATI CITY
MCI.E Compliance No. V-0004514/10-31-2014