COVER SHEET

1 7 4 6

S T I E D U C A T I O N S Y S T E M S
H O L D I N G S, I N C.

(Company's Full Name)

7/ F S T I H O L D I N G S C E N T E R
6 7 6 4 A Y A L A A V E., M A K A T I C I T Y
1 2 2 6

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

Ms. VETTE ALVAREZ

Contact Person

(6 3 2) 8 1 7 0 4 0 2

Company Telephone Number

0 3 3 1

Month *Day*

Fiscal Year

SEC FORM 17-Q For the Quarter ended 30 June 2017

FORM TYPE

Last Friday of September

Month *Day*

Annual Meeting

N A

Secondary License Type, If Applicable

C F D

Dept. Requiring this Doc.

N A

Amended Articles Number/Section

Total Amount of Borrowings

1 2 5 7

Total No. of Stocholders

N A

Domestic

N A

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

S T A M P S

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	**30 June 2017**
2.	SEC Identification No.	**1746**
3.	BIR Tax Identification No.	**000-126-853**
4.	Exact name of registrant as specified in its charter	**STI EDUCATION SYSTEMS HOLDINGS, INC.**
5.	Province, Country or other Jurisdiction of incorporation or organization	**Philippines**
6.	(SEC Use Only) Industry Classification Code	______________________
7.	Address of Philippine Office	**7/F STI Holdings Center 6764 Ayala Avenue Makati City, 1226**
8.	Registrant's Telephone No. including Area Code	**(632) 844-9553**
9.	Former name, former address, former Fiscal year, if changed since last report	**JTH DAVIES HOLDINGS, INC.** 7th Floor **iACADEMY Building** 6764 Ayala Avenue, Makati City 1226

10. Securities Registered pursuant to Sections 4 and 8 of the RSA.

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding

COMMON SHARES – 9,904,806,924 - ISSUED AND OUTSTANDING

9,904,806,924 – LISTED SHARES

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

Yes [x]   No [ ]

12. Check whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding 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 [ ]

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

Please refer to Annex "A".

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Please refer to Annex "B".

PART II - OTHER INFORMATION

Not Applicable

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Registrant **STI EDUCATION SYSTEMS HOLDINGS, INC.**

Signature and Title **YOLANDA M. BAUTISTA**
Treasurer

Date August 14, 2017

Signature and Title **MONICO V. JACOB**
President and CEO

Date August 14, 2017

ANNEX "A"

STI EDUCATION SYSTEMS HOLDINGS, INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT JUNE 30, 2017 AND MARCH 31, 2017

	June 30, 2017 (Unaudited)	March 31, 2017 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 5)	**₱3,287,349,563**	₱3,198,723,556
Receivables (Notes 6 and 19)	**1,547,759,038**	443,059,848
Inventories (Note 7)	**156,690,038**	123,577,199
Prepaid expenses and other current assets (Note 8)	**179,605,727**	149,024,884
	5,171,404,366	3,914,385,487
Noncurrent asset held for sale (Notes 2, 9 and 12)	**755,062,584**	–
Total Current Assets	**5,926,466,950**	3,914,385,487
Noncurrent Assets		
Property and equipment (Note 10)	**6,949,606,500**	6,875,570,837
Investment properties (Note 11)	**1,883,445,313**	1,891,231,534
Investments in and advances to associates and joint ventures (Notes 2, 9 and 12)	**41,755,669**	1,095,823,498
Available-for-sale financial assets	**51,611,350**	51,602,130
Deferred tax assets – net	**53,415,977**	32,875,741
Pension assets – net	**1,423,754**	2,763,398
Goodwill, intangible and other noncurrent assets (Note 13)	**428,164,618**	427,185,971
Total Noncurrent Assets	**9,409,423,181**	10,377,053,109
TOTAL ASSETS	**₱15,335,890,131**	₱14,291,438,596
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Note 14)	**₱449,808,400**	₱460,093,058
Current portion of interest-bearing loans and borrowings (Note 15)	**797,800,000**	812,800,000
Current portion of obligations under finance lease	**4,805,496**	5,667,168
Unearned tuition and other school fees	**1,450,482,251**	100,320,948
Nontrade payable	**67,000,000**	67,000,000
Income tax payable	**36,320,183**	19,585,731
Total Current Liabilities	**2,806,216,330**	1,465,466,905
Noncurrent Liabilities		
Bonds payable (Note 16)	**2,948,401,671**	2,947,028,638
Interest-bearing loans and borrowings - net of current portion (Note 15)	**916,400,000**	916,400,000
Obligations under finance lease - net of current portion	**6,020,019**	7,172,214
Pension liabilities - net	**45,937,741**	48,092,221
Other noncurrent liabilities (Note 17)	**117,500,066**	119,353,609
Deferred tax liabilities	**236,311,724**	236,505,372
Total Noncurrent Liabilities	**4,270,571,221**	4,274,552,054
Total Liabilities (Carried Forward)	**7,076,787,551**	5,740,018,959

(Forward)

	June 30, 2017 (Unaudited)	March 31, 2017 (Audited)
Total Liabilities (Brought Forward)	**₱7,076,787,551**	₱5,740,018,959
Equity Attributable to Equity Holders of the Parent Company (Note 18)		
Capital stock	**4,952,403,462**	4,952,403,462
Additional paid-in capital	**1,119,127,301**	1,119,127,301
Cost of shares held by a subsidiary	**(498,142,921)**	(498,142,921)
Cumulative actuarial gain	**44,398,122**	44,398,122
Unrealized mark-to-market gain on available-for-sale financial assets	**470,846**	462,127
Other equity reserve	**(1,667,792,370)**	(1,667,792,370)
Other comprehensive income associated with noncurrent asset held for sale (Note 18)	**98,339,576**	–
Share in associates':		
Unrealized mark-to-market gain (loss) on available-for-sale financial assets	**1,180**	(48,710,891)
Cumulative actuarial gain	**84,135**	722,894
Other equity reserve	**–**	718,885
Retained earnings	**4,120,713,628**	4,553,788,628
Total Equity Attributable to Equity Holders of the Parent Company	**8,169,602,959**	8,456,975,237
Equity Attributable to Non-controlling Interests	**89,499,621**	94,444,400
Total Equity	**8,259,102,580**	8,551,419,637
TOTAL LIABILITIES AND EQUITY	**₱15,335,890,131**	₱14,291,438,596

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

STI EDUCATION SYSTEMS HOLDINGS, INC.
AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED JUNE 30, 2017 AND 2016

	2017	2016
	(Unaudited)	
REVENUES		
Sale of services:		
Tuition and other school fees	**₱337,755,086**	₱322,575,047
Educational services	**45,030,822**	40,983,746
Royalty fees	**3,740,984**	3,391,981
Others	**16,343,331**	7,346,097
Sale of goods:		
Sale of educational materials and supplies	**85,183,478**	41,555,716
	488,053,701	415,852,587
COSTS AND EXPENSES		
Cost of educational services	**156,589,757**	130,670,741
Cost of educational materials and supplies sold	**59,661,889**	32,497,742
General and administrative expenses	**243,202,381**	224,246,910
	459,454,027	387,415,393
INCOME BEFORE OTHER INCOME AND INCOME TAX	**28,599,674**	28,437,194
OTHER INCOME (EXPENSES)		
Equity in net losses of associates and joint ventures (Note 12)	**(446,183,021)**	(20,914,732)
Rental income	**29,669,758**	21,816,485
Interest expense	**(61,323,338)**	(12,375,241)
Interest income	**7,629,577**	658,032
Gain on sale of property and equipment	**14,790**	–
Dividend and other income	**2,121,519**	6,640
	(468,070,715)	(10,808,816)
INCOME (LOSS) BEFORE INCOME TAX	**(439,471,041)**	17,628,378
PROVISION FOR (BENEFIT FROM) INCOME TAX		
Current	**21,261,919**	25,823,404
Deferred	**(20,733,883)**	(18,794,361)
	528,036	7,029,043
NET INCOME (LOSS) (Carried Forward)	**(439,999,077)**	10,599,335

	2017	2016
	(Unaudited)	
NET INCOME (LOSS) (Brought Forward)	**(₱439,999,077)**	₱10,599,335
OTHER COMPREHENSIVE INCOME		
Items to be reclassified to profit or loss in subsequent years:		
Share in associates' unrealized mark-to-market gain on available-for-sale financial assets	**147,634,384**	125,996,226
Unrealized mark-to-market gain on available-for-sale financial assets	**9,220**	119,520
	147,643,604	126,115,746
Item not to be reclassified to profit or loss in subsequent years:		
Share in associates' remeasurement gain on pension liabilities	**38,416**	275,785
	38,416	275,785
OTHER COMPREHENSIVE INCOME, NET OF TAX	**147,682,020**	126,391,531
TOTAL COMPREHENSIVE INCOME (LOSS)	**(₱292,317,057)**	₱136,990,866
Net Income (Loss) Attributable To		
Equity holders of the Parent Company	**(₱433,075,000)**	₱12,503,491
Non-controlling interests	**(6,924,077)**	(1,904,156)
	(₱439,999,077)	₱10,599,335
Total Comprehensive Income (Loss) Attributable To		
Equity holders of the Parent Company	**(₱287,372,278)**	₱137,204,874
Non-controlling interests	**(4,944,779)**	(214,008)
	(₱292,317,057)	₱136,990,866
Basic/Diluted Earnings (Loss) Per Share on Net Income (Loss) Attributable to Equity Holders of the Parent Company (Note 20)	**(₱0.044)**	₱0.001

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

STI EDUCATION SYSTEMS HOLDINGS, INC.
AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED JUNE 30, 2017 AND 2016

	Equity Attributable to Equity Holders of the Parent Company													
	Capital Stock	**Additional Paid-in Capital**	**Cost of Shares Held by a Subsidiary**	**Cumulative Actuarial Gain**	**Unrealized Mark-to-market Gain (Loss) on Available-for-sale Financial Assets**	**Other Equity Reserve**	**Share in Associates' Unrealized Mark-to-market Gain (Loss) on Available-for-sale Financial Assets**	**Share in Associates' Cumulative Actuarial Gain (Loss)**	**Share in Associates' Equity Reserve**	**Other comprehensive income associated with noncurrent asset held for sale**	**Retained Earnings**	**Total**	**Equity Attributable to Non-controlling Interests**	**Total Equity**
Balance at April 1, 2017	**₱4,952,403,462**	**₱1,119,127,301**	**(₱498,142,921)**	**₱44,398,122**	**₱462,127**	**(₱1,667,792,370)**	**(₱48,710,891)**	**₱722,894**	**₱718,885**	**₱–**	**₱4,553,788,628**	**₱8,456,975,237**	**₱94,444,400**	**₱8,551,419,637**
Net loss	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(433,075,000)**	**(433,075,000)**	**(6,924,077)**	**(439,999,077)**
Other comprehensive income	**–**	**–**	**–**	**–**	**8,719**	**–**	**145,656,102**	**37,901**	**–**	**–**	**–**	**145,702,722**	**1,979,298**	**147,682,020**
Total comprehensive income (loss)	**–**	**–**	**–**	**–**	**8,719**	**–**	**145,656,102**	**37,901**	**–**	**–**	**(433,075,000)**	**(287,372,278)**	**(4,944,779)**	**(292,317,057)**
Other comprehensive income associated with noncurrent asset held for sale	**–**	**–**	**–**	**–**	**–**	**–**	**(96,944,031)**	**(676,660)**	**(718,885)**	**98,339,576**	**–**	**–**	**–**	**–**
Balance at June 30, 2017	**₱4,952,403,462**	**₱1,119,127,301**	**(₱498,142,921)**	**₱44,398,122**	**₱470,846**	**(₱1,667,792,370)**	**₱1,180**	**₱84,135**	**₱–**	**₱98,339,576**	**₱4,120,713,628**	**₱8,169,602,959**	**₱89,499,621**	**₱8,259,102,580**
Balance at April 1, 2016	₱4,952,403,462	₱1,119,079,467	(₱500,009,337)	₱15,729,797	(₱373,642)	(₱1,658,272,599)	₱120,917,874	(₱18,002,502)	₱–	₱–	₱4,107,181,601	₱8,138,654,121	₱91,649,812	₱8,230,303,933
Net income	–	–	–	–	–	–	–	–	–	–	12,503,491	12,503,491	(1,904,156)	10,599,335
Other comprehensive income	–	–	–	–	119,520	–	124,309,769	272,094	–	–	–	124,701,383	1,690,148	126,391,531
Total comprehensive income	–	–	–	–	119,520	–	124,309,769	272,094	–	–	12,503,491	137,204,874	(214,008)	136,990,866
Acquisition of non-controlling interests by a subsidiary	–	–	–	–	–	(11,185,062)	–	–	718,603	–	–	(10,466,459)	11,194,811	728,352
Share of non-controlling interest on dividends declared by a subsidiary	–	–		–	–	–	–		–	–	–	–	–	–
Balance at June 30, 2016	₱4,952,403,462	₱1,119,079,467	(₱500,009,337)	₱15,729,797	(₱254,122)	(₱1,669,457,661)	₱245,227,643	(₱17,730,408)	₱718,603	₱–	₱4,119,685,092	₱8,265,392,536	₱102,630,615	₱8,368,023,151

STI EDUCATION SYSTEMS HOLDINGS, INC.
AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED JUNE 30, 2017 AND 2016

	2017	2016
	(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**(₱439,471,041)**	₱17,628,378
Adjustments to reconcile income before income tax to net cash flows:		
Depreciation and amortization (Notes 10 and 11)	**97,099,931**	89,593,533
Equity in net losses of associates and joint ventures	**446,183,021**	20,914,732
Interest expense	**61,323,338**	12,375,241
Net change in pension assets and liabilities	**(767,013)**	2,168,115
Interest income	**(7,629,577)**	(658,032)
Dividend income	**(2,121,519)**	(6,640)
Gain on sale of property and equipment	**(14,790)**	–
Operating income before working capital changes	**154,602,350**	142,015,327
Increase in:		
Receivables	**(58,618,898)**	(116,934,298)
Inventories	**(31,356,558)**	(47,628,052)
Prepaid expenses and other current assets	**(21,102,865)**	(19,007,957)
Increase (decrease) in:		
Accounts payable and other current liabilities	**329,532,660**	(26,426,100)
Unearned tuition and other school fees	**(41,560,321)**	–
Other noncurrent liabilities	**(1,853,543)**	111,045,595
Net cash generated from operations	**329,642,825**	43,064,515
Income and other taxes paid	**(2,995,990)**	(3,940,769)
Interest received	**7,629,577**	589,258
Net cash flows from operating activities	**334,276,412**	39,713,004
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Property and equipment (Note 10)	**(156,332,612)**	(133,489,446)
Investment properties (Note 11)	**–**	(34,352,144)
Subsidiary, net of cash acquired	**5,828,110**	–
Increase (decrease) in:		
Investments in and advances to associates and joint ventures	**495,025**	62,961,000
Goodwill, intangible assets and other noncurrent assets	**(29,578,881)**	(16,777,487)

(Forward)

	2017 (Unaudited)	2016
Dividends received	**₱2,121,519**	₱1,375,418
Proceeds from sale of property and equipment	**344,791**	–
Net cash flows used in investing activities	**(177,122,048)**	(120,282,659)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from availment of short-term loans	–	90,000,000
Payments of:		
Short-term loans (Note 15)	**(15,000,000)**	–
Obligations under finance lease	**(1,837,987)**	(1,263,138)
Interest paid	**(50,960,530)**	(490,558)
Cash dividends	**(729,840)**	–
Net cash flows from (used in) financing activities	**(68,528,357)**	88,246,304
NET INCREASE IN CASH AND CASH EQUIVALENTS	**88,626,007**	7,676,649
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**3,198,723,556**	664,777,743
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 5)	**₱3,287,349,563**	₱672,454,392

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

a. General

STI Education Systems Holdings, Inc. ("STI Holdings" or the "Parent Company") and its subsidiaries (hereafter collectively referred to as the "Group") are all incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission ("SEC"). STI Holdings was originally established in 1928 as the Philippine branch office of Theo H. Davies & Co., a Hawaiian corporation. It was reincorporated as a Philippine corporation and registered with the SEC on June 28, 1946. STI Holdings' shares were listed on the Philippine Stock Exchange ("PSE") on October 12, 1976. On June 25, 1996, the SEC approved the extension of the Parent Company's corporate life for another 50 years. The primary purpose of the Parent Company is to invest in, purchase or otherwise acquire and own, hold, use, sell, assign, transfer, lease, mortgage, pledge, exchange, or otherwise dispose of real properties as well as personal and movable property of any kind and description, including shares of stock, bonds, debentures, notes, evidence of indebtedness and other securities or obligations of any corporation or corporations, association or associations, domestic or foreign and to possess and exercise in respect thereof all the rights, powers and privileges of ownership, including all voting powers of any stock so owned, but not to act as dealer in securities, and to invest in and manage any company or institution. STI Holdings aims to focus on education and education-related activities and investments.

STI Holdings' registered office address, which is also its principal place of business, is 7th Floor, STI Holdings Center, 6764 Ayala Avenue, Makati City.

The subsidiaries of STI Holdings, which are all incorporated in the Philippines, are as follows:

		Effective Percentage of Ownership			
		June 30, 2017		March 31, 2017	
Subsidiaries	**Principal Activities**	**Direct**	**Indirect**	Direct	Indirect
STI ESG	Educational Institution	**99**	–	99	–
STI WNU	Educational Institution	**99**	–	99	–
iACADEMY	Educational Institution	**100**	–	100	–
AHC	Holding Company	**100**	–	100	–
Neschester Corporation	Real Estate	**100**	–	100	–
STI College Tuguegarao, Inc. ("STI Tuguegarao")	Educational Institution	–	**99**	–	99
STI College of Kalookan, Inc. ("STI Caloocan") [(a)]	Educational Institution	–	**99**	–	99
STI College Batangas, Inc. ("STI Batangas")	Educational Institution	–	**99**	–	99
STI College Iloilo, Inc. ("STI Iloilo")	Educational Institution	–	**99**	–	99
STI College Tanauan, Inc. ("STI Tanauan")	Educational Institution	–	**99**	–	99
STI Lipa, Inc. ("STI Lipa")	Educational Institution	–	**99**	–	99
STI College Pagadian, Inc. ("STI Pagadian")	Educational Institution	–	**99**	–	99
STI College Novaliches, Inc ("STI Novaliches")	Educational Institution	–	**99**	–	99
STI College Dagupan, Inc. ("STI Dagupan") [(b)]	Educational Institution	–	**99**	–	99
STI College Taft, Inc. ("STI Taft") [(b)]	Educational Institution	–	**99**	–	99
STI College of Santa Maria ("STI Sta. Maria") [(c)]	Educational Institution	–	**99**	–	–
De Los Santos-STI College, Inc. ("De Los Santos-STI College") [(d)]	Educational Institution	–	**51**	–	51
STI College Quezon Avenue, Inc. ("STI QA")[(e)]	Educational Institution	–	**51**	–	51

[(a)] A subsidiary of STI ESG through a management contract
[(b)] Converted advances to equity through issuance of shares
[(c)] Incorporated in April 2017(Note 13)
[(d)] On June 28, 2016, De Los Santos-STI College wrote the CHED advising the latter of the suspension of its operations for school years 2016-2017 and 2017-2018 as a result of the implementation of the Government's K to 12 program. In the same letter, De Los Santos-STI College requested that it be allowed to keep all of its existing permits and licenses for its academic programs. It also mentioned that the grant of such request would

allow De Los Santos-STI College to immediately resume offering its academic programs to incoming freshmen students for its planned resumption of operation in SY 2018-2019. These academic programs are: BS Nursing, BS Radiologic Technology, BS Psychology, BS Physical Therapy, BS Hotel and Restaurant Management and BS Tourism. CHED, in a letter reply dated July 1, 2016, said that De Los Santos-STI College shall apply again for initial permits if it intends to offer the said programs in SY 2018-2019. De Los Santos-STI College shall request CHED for a reconsideration.
[e]*A wholly-owned subsidiary of De Los Santos - STI College*

b. STI Education Services Group, Inc. and Subsidiaries (collectively referred to as “STI ESG”)

In September 2012, STI ESG became a subsidiary of the Parent Company through a share-for-share swap agreement with the shareholders of STI ESG. As at June 30, 2017, the Parent Company owns 98.7% of STI ESG.

STI ESG is involved in establishing, maintaining, and operating educational institutions to provide pre-elementary, elementary, secondary, and tertiary as well as post-graduate courses, post- secondary and lower tertiary non-degree programs. STI ESG also develops, adopts and/or acquires, entirely or in part, such curricula or academic services as may be necessary in the pursuance of its main activities, relating but not limited to information technology services, information technology-enabled services, education, hotel and restaurant management, engineering and business studies. STI ESG is also offering Senior High School (“SHS”).

STI ESG has investments in several entities which own and operate STI schools. STI schools may be operated either by: (a) STI ESG; (b) its subsidiaries; or (c) independent entrepreneurs (referred to as the “franchisees”) under the terms of licensing agreements with STI ESG. All franchisees are covered by licensing agreements, which require courseware to be obtained from STI ESG. Other features of the licensing agreements are as follows:

- Exclusive right to use proprietary marks and information such as but not limited to courseware programs, operational manuals, methods, standards, systems, that are used exclusively in the STI network of schools;
- Continuing programs for faculty and personnel development, including evaluation and audit of pertinent staff;
- Development and adoption of the enrollment and registration system;
- Assistance on matters pertaining to financial and accounting procedures, faculty recruitment and selection, marketing and promotion, record keeping and others.

All STI schools start the school calendar every June of each year.

c. STI West Negros University, Inc. (“STI WNU”, formerly West Negros University Corp.)

STI Holdings owns and operates STI WNU in Bacolod City. It offers pre-elementary, elementary, secondary and tertiary education and post-graduate courses.

On December 9, 2015, the SEC approved the amendment of STI WNU’s Articles of Incorporation allowing STI WNU to provide maritime training services that will offer and conduct training required by the Maritime Industry Authority (“MARINA”) for officers and crew on board Philippines and/or foreign registered ships operating in the Philippines and/or international waters.

d. Attenborough Holdings Corp. (“AHC”)

AHC is a holding company which is a party to the Joint Venture Agreement and Shareholders’ Agreement among the Parent Company, Philippine Women’s University (“PWU”) and Unlad Resources Development Corporation (“Unlad”) (see Note 21).

e. Information and Communications Technology Academy, Inc. ("iACADEMY")

iACADEMY is the premier school in the Group that specializes in course offerings in animation, multimedia arts and design, fashion design and technology, software engineering and game programming and design. It also offers Senior High School. It started in 2002 as a wholly owned subsidiary of STI ESG until its acquisition by STI Holdings in September 2016. The school is located at iACADEMY Plaza in Makati, with top-of-the-line multimedia arts laboratories and computer suites.

On September 27, 2016, STI Holdings purchased One Hundred Million (100.0 million) iACADEMY shares or 100% of iACADEMY's issued and outstanding capital stock from STI ESG for a purchase price of ₱113.5 million. STI Holdings, also subscribed to 100.0 million out of the 400.0 million increase in the authorized capital stock of iACADEMY. On November 9, 2016 the SEC approved the increase in the authorized capital stock of iACADEMY. Since the purchase of 100% of iACADEMY's issued and outstanding capital stock from STI ESG, iACADEMY has become a wholly-owned subsidiary of the Parent Company.

iACADEMY changed its school calendar starting SY 2016-2017 from May of each year to July for tertiary level and August for SHS.

On October 19, 2016, iACADEMY signed a Licensing Agreement to Offer a Graduate Business Program with DePaul University ("DePaul") of Chicago, Illinois, United States of America. The agreement is in accordance with the CHED's approval for iACADEMY to operate as a Transnational Education ("TNE") provider for the Master in Business Administration program in partnership with DePaul as the degree granting institution.

The Government Authority ("GA") is valid for a period of three years, 2016 to 2018, and shall be subject to revocation if iACADEMY fails to operate in accordance with the laws of the Republic of the Philippines and/or fails to maintain the prescribed standards of instruction and/or fails to comply with the rules and regulations pertaining to the organization, administration and supervision of private/public Higher Education Institutions ("HEIs") in the Philippines. This GA applies only to the iACADEMY Plaza campus.

On August 8, 2017, iACADEMY requested CHED for an extension of the validity of the GA.

f. Neschester Corporation ("Neschester")

On August 2, 2016, STI Holdings subscribed to all of the unissued authorized capital stock of Neschester totaling to Six Hundred Seventy Thousand (670,000) common shares of stock at a subscription price of ₱200.0 million. STI Holdings also purchased all of the issued shares of Neschester owned by the former stockholders of Neschester totaling Five Hundred Fifty Thousand (550,000) common shares at an aggregate purchase price of ₱173.2 million. As a result, STI Holdings now owns one hundred percent (100%) of the issued, outstanding and authorized capital stock of Neschester.

The major asset of Neschester is a parcel of land along Yakal St. in Makati City, where iACADEMY is constructing a building for its Yakal campus (see Note 10).

The acquisition of Neschester is accounted for as an acquisition of asset, rather than a business. Thus, no purchase price allocation was made.

2. Basis of Preparation and Summary of the Group's Significant Accounting Policies

Basis of Preparation

The accompanying unaudited interim condensed consolidated financial statements have been prepared on a historical cost basis, except for quoted available-for-sale ("AFS") financial assets which have been measured at fair value, certain inventories which have been measured at net realizable value, certain investments in associates and joint ventures which have been measured at recoverable amount and refundable deposits which are measured at amortized cost. The consolidated financial statements are presented in Philippine peso (₱), which is the Parent Company's functional and presentation currency, and all values are rounded to the nearest peso, except when otherwise indicated.

Statement of Compliance

The accompanying unaudited interim condensed consolidated financial statements of the Group have been prepared in accordance with Philippine Accounting Standards ("PAS") 34, *Interim Financial Reporting*. Accordingly, the unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the audited annual consolidated financial statements of STI Holdings as at and for the year ended March 31, 2017.

Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those of the previous financial year, except for the adoption of the new pronouncements that became effective beginning on or after April 1, 2017. The adoption of these new pronouncements did not have any significant impact on the consolidated financial statements:

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

Standards Issued but Not Yet Effective

Pronouncements that are issued, but not yet effective as at June 30, 2017 are listed below. The Group intends to adopt these standards when they become effective. Unless otherwise indicated, the adoption of these pronouncements are not expected to have any significant impact on the unaudited interim condensed consolidated financial statements.

Effective in fiscal year 2019

- Amendments to PFRS 2, *Share-based Payment*, *Classification and Measurement of Share-based Payment Transactions*

  The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

- Amendments to PFRS 4, *Insurance Contracts*, *Applying PFRS 9, Financial Instruments, with PFRS 4*

  The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the forthcoming insurance contracts standard. They allow entities to choose between the overlay approach and the deferral approach to deal with the transitional challenges. The overlay approach gives all entities that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when PFRS 9 is applied before the new insurance contracts standard is issued. On the other hand, the deferral approach gives entities whose activities are predominantly connected with insurance an optional temporary exemption from applying PFRS 9 until the earlier of application of the forthcoming insurance contracts standard or January 1, 2021.

  The overlay approach and the deferral approach will only be available to an entity if it has not previously applied PFRS 9.

  The Group is currently assessing the impact of adopting the amendments to PFRS 4 to the unaudited interim condensed consolidated financial statements.

- 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 adopting 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 Group is currently assessing the impact of adopting PFRS 9.

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

The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted.

- Amendments to PAS 40, *Investment Property*, *Transfers of Investment Property*

  The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*
  The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation may be applied on a fully retrospective basis. Entities may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

Effective in fiscal year 2020

- PFRS 16, *Leases*

  Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17, *Leases*. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.
  The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

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

Deferred effectivity

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

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

The Group has not early adopted the previously mentioned pronouncements. The Group continues to assess the impact of the above new pronouncements effective subsequent to June 30, 2017 on its unaudited interim condensed consolidated financial statements in the period of initial application. Additional disclosures required by these amendments will be included in the unaudited interim condensed consolidated financial statements when these amendments are adopted.

Noncurrent Asset Held for Sale

The Group classifies a noncurrent asset as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. Such noncurrent asset classified as held for sale is measured at the lower of its carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the sale.

The criteria for held for sale classification are regarded as met only when the asset is available for immediate sale in its present condition and the sale is highly probable. Management must be committed to a plan to sell, which is expected to be completed within one year from the date of the classification, and an active program to locate a buyer and complete the plan must have been initiated. Further, the asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value. Actions required to complete the plan to sell should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Equity method of accounting for investment in shares of an associate ceases upon classification of the investment as a noncurrent asset held for sale. Noncurrent asset held for sale is presented separately as part of current assets in the unaudited interim condensed consolidated statement of financial position.

Judgment and Estimate

Noncurrent Asset held for sale. On June 27, 2017, STI ESG's Board of Directors ("BOD") approved the disposition of STI ESG's shares in Maestro Holdings, Inc. ("Maestro Holdings") to enable the Group to focus on its core business of offering educational services. Management considered the investment in the shares of Maestro Holdings to meet the criteria to be classified as held for sale for the following reasons:

- The BOD approved the disposition of the shares in Maestro Holdings
- The investment in the shares of Maestro Holdings is available for immediate sale in its present condition
- Actions to locate a buyer and complete the sale have been initiated
- The shares will be sold at a price approximating its current fair value
- Management expects to complete the sale within one year from the date of classification

As a result of the classification as noncurrent asset held for sale, STI ESG ceased the use of the equity method of accounting for the investment in Maestro Holdings. The carrying value of the noncurrent asset held for sale amounted to ₱755.1 million as at June 30, 2017 (see Notes 9 and 12). While it is recognized that there are costs to sell the investment, such amount is not yet determinable at this time. As such, the write-down to fair value less costs to sell cannot be established at this time.

3. Seasonality of Operations

The Group's business is linked to the academic cycle. The academic cycle, which is one academic year, starts in the month of June and ends in the month of March, except for iACADEMY where the academic year starts in July for the tertiary level and August for SHS, with both levels ending in June. The revenue of the Group which is mainly from tuition and other school fees, is recognized as income over the corresponding academic year to which they pertain. Accordingly, revenue is expected to be lower during the first quarter of the fiscal year as compared to the other quarters if the number of enrollees remains constant. This information is provided to allow for a proper appreciation of the results of operations of the Group. However, management has concluded that the Group's operation is not 'highly seasonal' in accordance with PAS 34.

4. Segment Information

For management purposes, the Group is organized into business units based on the geographical location of the students and assets, and has five reportable segments as follows:

a. Metro Manila
b. Northern Luzon
c. Southern Luzon
d. Visayas
e. Mindanao

Management monitors operating results of its business segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with profit and loss in the unaudited interim condensed consolidated financial statements

On a consolidated basis, the Group's performance is evaluated based on net income for the three-month periods ended June 30, 2017 and 2016 and EBITDA defined as earnings before provision for income tax, interest expense, interest income, depreciation and amortization, and equity in net earnings/losses of associates and joint ventures.

The following table shows the reconciliation of the consolidated net income (loss) to consolidated EBITDA for the three-month periods ended June 30, 2017 and 2016.

	Unaudited	
	2017	2016
Consolidated net income (loss)	**(₱439,999,077)**	₱10,599,335
Depreciation and amortization	**97,099,931**	89,593,533
Equity in net losses of associates and joint ventures	**446,183,021**	20,914,732
Provision for income tax	**528,036**	7,029,043
Interest expense	**61,323,338**	12,375,241
Interest income	**(7,629,577)**	(658,032)
Consolidated EBITDA	**₱157,505,672**	₱139,853,852

Geographical Segment Data

The following tables present revenue and income information regarding geographical segments for the three month ended June 30, 2017 and 2016.

	June 30, 2017 (Unaudited)					
	Metro Manila	**Northern Luzon**	**Southern Luzon**	**Visayas**	**Mindanao**	**Consolidated**
Revenues						
External revenue	**₱312,980,037**	**₱21,073,493**	**₱92,205,731**	**₱49,533,811**	**₱12,260,629**	**₱488,053,701**
Results						
Income (loss) before other income and income tax	**21,451,101**	**(3,312,156)**	**12,266,860**	**2,538,504**	**(4,344,635)**	**28,599,674**
Equity in net losses of associates and joint ventures	**(446,183,021)**	**–**	–	–	–	**(446,183,021)**
Interest income	**7,551,625**	**6,315**	**18,809**	**50,608**	**2,220**	**7,629,577**
Interest expense	**(58,985,129)**	–	**(3,835)**	**(2,334,374)**	–	**(61,323,338)**
Other income	**31,066,603**	–	**416,487**	**248,151**	**74,826**	**31,806,067**
Provision for income tax	**130,832**	–	–	**(658,868)**	–	**(528,036)**
Net Income (Loss)	**(₱444,967,989)**	**(₱3,305,841)**	**₱12,698,321**	**(₱155,979)**	**(₱4,267,589)**	**(₱439,999,077)**
EBITDA						**₱157,505,672**

	June 30, 2016 (Unaudited)					
	Metro Manila	Northern Luzon	Southern Luzon	Visayas	Mindanao	Consolidated
Revenues						
External revenue	₱275,219,721	₱11,925,773	₱74,363,601	₱43,475,385	₱10,868,107	₱415,852,587
Results						
Income (loss) before other income and income tax	₱20,424,322	₱71,685	₱10,575,247	₱898,367	(₱3,532,427)	₱28,437,194
Equity in net losses of associates and joint ventures	(20,914,732)					(20,914,732)
Interest income	446,904	10,810	11,424	186,489	2,405	658,032
Interest expense	(11,123,011)		(7,650)	(1,244,580)		(12,375,241)
Other income	21,084,044	17,480	134,814	586,787		21,823,125
Provision for income tax	(6,941,214)			(87,829)		(7,029,043)
Net Income (Loss)	₱2,976,313	₱99,975	₱10,713,835	₱339,234	(₱3,530,022)	₱10,599,335
EBITDA						₱139,853,852

The following tables present certain assets and liabilities information regarding geographical segments as at June 30, 2017 and March 31, 2017.

	June 30, 2017 (Unaudited)					
	Metro Manila	**Northern Luzon**	**Southern Luzon**	**Visayas**	**Mindanao**	**Consolidated**
Assets and Liabilities						
Segment assets[(a)]	**₱11,815,740,917**	**₱174,168,328**	**₱1,236,266,057**	**₱825,498,794**	**₱191,322,477**	**₱14,242,996,573**
Investments in and advances to associates and joint ventures	**41,755,669**	–	–	–	–	**41,755,669**
Noncurrent asset held for sale	**755,062,584**					**755,062,584**
Pension assets – net	**1,423,754**	–	–	–	–	**1,423,754**
Goodwill	**225,554,342**	–	–	**15,681,232**	–	**241,235,574**
Deferred tax assets – net	**42,971,592**	**410,746**	**1,670,491**	**8,305,637**	**57,511**	**53,415,977**
Total Assets	**₱12,882,508,858**	**₱174,579,074**	**₱1,237,936,548**	**₱849,485,663**	**₱191,379,988**	**₱15,335,890,131**
Segment liabilities[(b)]	**₱1,318,136,749**	**₱106,553,399**	**₱425,190,586**	**₱187,278,449**	**₱83,951,717**	**₱2,121,110,900**
Interest-bearing loans and borrowings	**1,505,200,000**	–	–	**209,000,000**	–	**1,714,200,000**
Bonds payable	**2,948,401,671**	–	–	–	–	**2,948,401,671**
Pension liabilities – net	**10,856,115**	**699,060**	**473,541**	**33,861,260**	**47,765**	**45,937,741**
Obligations under finance lease	**10,297,218**	–	**130,559**	**397,738**	–	**10,825,515**
Deferred tax liabilities – net	**236,311,724**	–	–	–	–	**236,311,724**
Total Liabilities	**₱6,029,203,477**	**₱107,252,459**	**₱425,794,686**	**₱430,537,447**	**₱83,999,482**	**₱7,076,787,551**
Other Segment Information						
Capital expenditure -						
Property and equipment						**₱159,228,029**
Depreciation and amortization						**97,099,931**
Noncash expenses other than depreciation and amortization						**3,551,372**

	March 31, 2017(Audited)					
	Metro Manila	Northern Luzon	Southern Luzon	Visayas	Mindanao	Consolidated
Assets and Liabilities						
Segment assets[(a)]	₱11,185,319,211	₱49,589,935	₱889,436,637	₱674,990,253	₱121,181,045	₱12,920,517,081
Investments in and advances to associates and joint ventures	1,095,823,498	–	–	–	–	1,095,823,498
Pension assets – net	2,763,398	–	–	–	–	2,763,398
Goodwill	223,777,646	–	–	15,681,232	–	239,458,878
Deferred tax assets – net	24,649,787	316,278	342,397	7,512,232	55,047	32,875,741
Total Assets	₱12,532,333,540	₱49,906,213	₱889,779,034	₱698,183,717	₱121,236,092	₱14,291,438,596
Segment liabilities[(b)]	₱648,983,384	₱17,560,937	₱41,425,419	₱34,900,321	₱23,483,285	₱766,353,346
Interest-bearing loans and borrowings	1,520,200,000	–	–	209,000,000	–	1,729,200,000
Bonds payable	2,947,028,638	–	–	–	–	2,947,028,638
Pension liabilities – net	10,143,720	666,374	429,565	36,811,729	40,833	48,092,221
Obligations under finance lease	12,222,083	–	172,021	445,278	–	12,839,382
Deferred tax liabilities – net	236,505,372	–	–	–	–	236,505,372
Total Liabilities	₱5,375,083,197	₱18,227,311	₱42,027,005	₱281,157,328	₱23,524,118	₱5,740,018,959
Other Segment Information						
Capital expenditure -						
Property and equipment						₱1,599,419,108
Depreciation and amortization						375,621,499
Noncash expenses other than depreciation and amortization						89,864,801

[(a)] *Segment assets exclude investments in and advances to associates and joint ventures, pension assets, noncurrent asset held for sale, goodwill and net deferred tax assets.*
[(b)] *Segment liabilities exclude interest-bearing loans and borrowings, bonds payable, net pension liabilities, obligations under finance lease and net deferred tax liabilities.*

5. Cash and Cash Equivalents

This account consists of:

	June 30, 2017 (Unaudited)	March 31,2017 (Audited)	June 30, 2016 (Unaudited)
Cash on hand and in banks	**₱1,021,921,635**	₱2,414,468,046	₱665,365,048
Cash equivalents	**2,265,427,928**	784,255,510	7,089,344
	₱3,287,349,563	₱3,198,723,556	₱672,454,392

Cash in banks and cash equivalents earn interest at their respective bank deposit and investment rates.

Interest earned from cash in banks and cash equivalents amounted to ₱7.6 million, ₱0.5 million for the three-month periods ended June 30, 2017 and 2016, respectively.

6. Receivables

This account consists of:

	June 30, 2017 (Unaudited)	March 31, 2017 (Audited)
Tuition and other school fees	**₱1,494,794,692**	₱420,707,108
Educational services	**72,204,348**	47,862,238
Rent, utilities and other related receivable (see Note 19)	**48,614,752**	45,861,725
Advances to officers and employees (see Note 19)	**23,754,873**	22,689,625
Current portion of advances to associates, joint ventures and other related parties (see Note 19)	**143,571**	143,571
Others	**31,999,296**	29,548,075
	1,671,511,532	566,812,342
Less allowance for doubtful accounts	**123,752,494**	123,752,494
	₱1,547,759,038	₱443,059,848

7. Inventories

This account consists of:

	June 30, 2017 (Unaudited)	March 31, 2017 (Audited)
At net realizable value:		
Educational materials	**₱143,980,265**	₱111,579,144
Promotional materials	**10,603,964**	9,178,463
School materials and supplies	**2,105,809**	2,819,592
	₱156,690,038	₱123,577,199

8. Prepaid Expenses and Other Current Assets

This account consists of:

	June 30, 2017 (Unaudited)	March 31, 2017 (Audited)
Prepaid taxes	**₱143,066,433**	₱122,652,271
Prepaid rent	**11,246,156**	9,928,047
Rental deposits	**4,730,594**	5,079,750
Excess contributions to CEAP	**3,551,576**	3,603,282
Prepaid subscriptions and license	**8,161,226**	875,469
Software maintenance cost	**1,211,050**	2,414,514
Prepaid insurance	**5,243,497**	723,958
Others	**2,395,195**	3,747,593
	₱179,605,727	₱149,024,884

Prepaid taxes represent input VAT, prepaid business and real property taxes. Most of the input VAT arose from the acquisition of properties in EDSA, Pasay City which will be the site of the new STI Academic Center Pasay-EDSA, the various schools' purchase of uniforms, and the construction activities in iACADEMY's Yakal campus. Prepaid business and real property taxes will be amortized within the year.

Prepaid rent represents advance rent paid for the lease of land and building spaces which shall be applied to the monthly rental in accordance with the term of the lease agreements.

Rental deposits pertain to security deposits made for warehouse and office space rentals which will expire within one year and will be applied against future lease payments in accordance with the respective lease agreements.

Excess contributions to CEAP pertain to contributions made by De Los Santos-STI College and STI QA to CEAP which are already considered forfeited pension benefits of those employees who can no longer avail their pension benefits either because they did not meet the required tenure of ten years or they did not reach the retirement age of sixty when they left the service or when De Los Santos-STI College has already advanced the benefits of qualified employees. These contributions will be offset against De Los Santos-STI College's and STI QA's future required contributions to CEAP.

Prepaid subscriptions and license pertain substantially to the prepaid subscriptions for the use of Microsoft license amounting to ₱7.7 million as at June 30, 2017. This will be amortized within the school year.

Software maintenance cost represents support and maintenance charges for the Group's accounting and enrollment systems, which are amortized within one year from date of contract.

Prepaid insurance includes fire insurance coverage on buildings, including equipment and furniture, health insurance coverage of employees and life and accident insurance of the students which were paid in advance and will be recognized as expense over the period of the coverage, which is normally within one year.

9. **Noncurrent Asset Held for Sale**

As at June 30, 2017, noncurrent asset held for sale amounting to ₱755.1 million represents the carrying value of STI ESG's 20% ownership in Maestro Holdings. This is the company that owns 100% of PhilPlans First, Inc. ("PhilPlans"), 99.89% of PhilhealthCare, Inc. and 70.6% of Philippine Life Financial Assurance Corporation. On June 27, 2017, STI ESG's BOD approved the disposal of this 20% stake in Maestro Holdings to enable the Group to focus on its core business of offering educational services.

As a result of the classification as noncurrent asset held for sale, STI ESG ceased the use of the equity method of accounting for the investment in Maestro Holdings. While it is recognized that there are costs to sell the investment, such amount is not yet determinable at this time. With this, the write-down to fair value less cost to sell cannot be established at this time.

10. Property and Equipment

The rollforward analysis of this account follows:

	June 30, 2017 (Unaudited)									
	Land	**Buildings**	**Office and School Equipment**	**Office Furniture and Fixtures**	**Leasehold Improvements**	**Transportation Equipment**	**Computer Equipment and Peripherals**	**Library Holdings**	**Construction In Progress**	**Total**
Cost, Net of Accumulated Depreciation and Amortization										
Balance at beginning of period	**₱2,984,860,600**	**₱3,215,847,552**	**₱167,937,611**	**₱81,200,005**	**₱60,336,785**	**₱14,695,980**	**₱46,913,898**	**₱18,045,674**	**₱285,732,732**	**₱6,875,570,837**
Additions	**2,682,606**	**5,723,577**	**6,391,764**	**5,340,167**	**2,264,991**	**–**	**9,333,663**	**1,422,835**	**126,068,426**	**159,228,029**
Disposal	**–**	**–**	**–**	**–**	**–**	**(330,001)**	**–**	**–**	**–**	**(330,001)**
Effect of business combination	**–**	**–**	**462,403**	**14,750**	**–**	**–**	**923,020**	**129,718**	**–**	**1,529,891**
Depreciation and amortization	**–**	**(43,046,016)**	**(15,925,731)**	**(8,392,737)**	**(7,037,013)**	**(1,922,828)**	**(7,900,548)**	**(2,167,383)**	**–**	**(86,392,256)**
Balance at end of period	**₱2,987,543,206**	**₱3,178,525,113**	**₱158,866,047**	**₱78,162,185**	**₱55,564,763**	**₱12,443,151**	**₱49,270,033**	**₱17,430,844**	**₱411,801,158**	**₱6,949,606,500**
At June 30, 2017:										
Cost	**₱2,987,543,206**	**₱4,076,582,682**	**₱581,743,223**	**₱281,027,734**	**₱387,529,882**	**₱69,740,806**	**₱479,168,946**	**₱190,404,717**	**₱411,801,158**	**₱9,465,542,354**
Accumulated depreciation and amortization	**–**	**898,057,569**	**422,877,176**	**202,865,549**	**331,965,119**	**57,297,655**	**429,898,913**	**172,973,873**	**–**	**2,515,935,854**
Net book value	**₱2,987,543,206**	**₱3,178,525,113**	**₱158,866,047**	**₱78,162,185**	**₱55,564,763**	**₱12,443,151**	**₱49,270,033**	**₱17,430,844**	**₱411,801,158**	**₱6,949,606,500**

	March 31, 2017 (Audited)									
	Land	Buildings	Office and School Equipment	Office Furniture and Fixtures	Leasehold Improvements	Transportation Equipment	Computer Equipment and Peripherals	Library Holdings	Construction In Progress	Total
Cost, Net of Accumulated Depreciation and Amortization										
Balance at beginning of year	₱2,072,955,019	₱2,956,925,994	₱167,861,381	₱86,721,158	₱83,574,397	₱17,919,135	₱35,854,912	₱20,646,692	₱167,979,793	₱5,610,438,481
Additions	911,905,581	262,995,022	50,904,125	25,987,967	2,606,294	6,252,282	41,863,364	6,094,515	290,809,958	1,599,419,108
Reclassifications	–	161,120,186	9,268,564	–	2,668,269	–	–	–	(173,057,019)	–
Disposal	–	–	(75,257)	(9,680)	–	(132,300)	–	–	–	(217,237)
Depreciation and amortization		(165,193,650)	(60,021,202)	(31,499,440)	(28,512,175)	(9,343,137)	(30,804,378)	(8,695,533)	–	(334,069,515)
Balance at end of year	₱2,984,860,600	₱3,215,847,552	₱167,937,611	₱81,200,005	₱60,336,785	₱14,695,980	₱46,913,898	₱18,045,674	₱285,732,732	₱6,875,570,837
At March 31, 2017:										
Cost	₱2,984,860,600	₱4,070,859,106	₱574,945,215	₱275,672,568	₱385,264,288	₱71,300,806	₱469,352,030	₱188,852,767	₱285,732,732	₱9,306,840,112
Accumulated depreciation and amortization	–	855,011,554	407,007,604	194,472,563	324,927,503	56,604,826	422,438,132	170,807,093	–	2,431,269,275
Net book value	₱2,984,860,600	₱3,215,847,552	₱167,937,611	₱81,200,005	₱60,336,785	₱14,695,980	₱46,913,898	₱18,045,674	₱285,732,732	₱6,875,570,837

The cost of fully depreciated property and equipment still being used by the Group amounted to ₱968.5 million and ₱945.7 million as at June 30, 2017 and March 31, 2017, respectively. There were no idle assets as at June 30, 2017 and March 31, 2017.

Additions

Property and Equipment under Construction.

As at June 30, 2017, the construction in-progress account includes costs incurred for the fit out works on a leased building which is newly constructed. This will be the new site of STI Malaybalay. There are also renovation works in STI Sta. Maria. The related contract costs amounted to ₱69.0 million, inclusive of materials, cost of labor and overhead and all other costs necessary for the completion of the projects. The projects are expected to be completed by end of August 2017. Ongoing projects for the construction of classrooms and faculty rooms in STI Batangas were completed in July 2017 and the renovation works in STI Novaliches are expected to be completed by the end of August. Equipment, furniture and fixtures were acquired for STI Sta. Maria and for the other schools, as well as for the head office. iACADEMY's construction costs for its Yakal campus amounted to ₱81.5 million for the three-month period . The construction of Yakal campus of iACADEMY is in full swing and the floors set to be utilized for the school will be completed in December 2017. Students will start using the facility in January 2018.

As at March 31, 2017, the construction in-progress account includes costs incurred for the following: (a) construction of classrooms and faculty rooms in STI Batangas; (b) renovation works in STI Novaliches; (c) construction of swimming pool and firing range in STI WNU and (d) land development and building for the Yakal campus of iACADEMY. The related contract costs amounted to ₱1,050.6 million, inclusive of materials, cost of labor and overhead and all other costs necessary for the completion of the projects. The construction of classrooms and faculty rooms in STI Batangas was completed in July 2017 while the renovation works in STI Novaliches are expected to be finished by end of August 2017.

Capitalized Borrowing Costs. Total borrowing costs capitalized as part of property and equipment amounted to ₱3.6 million and ₱1.9 million as at June 30, 2017 and March 31, 2017, respectively. The average interest capitalization rates were nil, 3.75% and nil for STI WNU, iACADEMY and STI ESG, respectively, as at June 30, 2017; and 4.42%, 3.75% and nil for STI WNU, iACADEMY and STI ESG, respectively, in March 31, 2017, which were the effective rates of the general borrowings.

11. **Investment Properties**

The rollforward analysis of this account follows:

	June 30, 2017 (Unaudited)		
	Land	**Building**	**Total**
Cost:			
Balance at beginning of period	**₱1,309,753,568**	**₱665,357,550**	**₱1,975,111,118**
Additions	**–**	**–**	**–**
Balance at end of period	**1,309,753,568**	**665,357,550**	**1,975,111,118**
Accumulated depreciation:			
Balance at beginning of period	**–**	**83,879,584**	**83,879,584**
Depreciation	**–**	**7,786,221**	**7,786,221**
Balance at end of period	**–**	**91,665,805**	**91,665,805**
Net book value	**₱1,309,753,568**	**₱573,691,745**	**₱1,883,445,313**

	March 31, 2017 (Audited)		
	Land	Building	Total
Cost:			
Balance at beginning of year	₱1,275,401,424	₱665,357,550	₱1,940,758,974
Additions	34,352,144		34,352,144
Balance at end of year	1,309,753,568	665,357,550	1,975,111,118
Accumulated depreciation:			
Balance at beginning of year	–	52,734,708	52,734,708
Depreciation	–	31,144,876	31,144,876
Balance at end of year	–	83,879,584	83,879,584
Net book value	₱1,309,753,568	₱581,477,966	₱1,891,231,534

12. **Investments in and Advances to Associates and Joint Ventures**

The details and movements in this account follow:

	June 30, 2017 (Unaudited)	March 31, 2017 (Audited)
Investments at Equity		
Acquisition cost:		
Balance at beginning of period	**₱225,736,031**	₱243,235,800
Reversal	**(43,000)**	–
Reclassification to noncurrent asset held for sale	**(174,075,126)**	–
Cancellation of subscription payable balance by Maestro Holdings	–	(17,499,769)
Balance at end of period	**51,617,905**	225,736,031
Accumulated equity in net earnings:		
Balance at beginning of period	**917,999,986**	1,077,265,944
Equity in net losses	**(446,183,021)**	(158,497,925)
Dividends received	**(452,024)**	(768,033)
Reclassification to noncurrent asset held for sale	**(481,312,235)**	–
Balance at end of period	**(9,947,294)**	917,999,986
Accumulated share in associates' other comprehensive income (loss):		
Balance at beginning of period	**(48,641,168)**	104,311,772
Unrealized mark-to-market gain (loss) on AFS financial assets	**147,634,384**	(171,932,663)
Reclassification to noncurrent asset held for sale	**(98,946,574)**	

	June 30, 2017 (Unaudited)	March 31, 2017 (Audited)
Remeasurement gain on pension liabilities	**38,416**	18,979,723
Balance at end of period	**85,058**	(48,641,168)
Share in associates' other equity reserve		
Balance at beginning of year	**728,649**	728,649
Reclassification to noncurrent asset held for sale	**(728,649)**	–
	–	728,649
	41,755,669	1,095,823,498
Advances	**37,612,851**	37,277,147
Less allowance for impairment loss	**37,612,851**	37,277,147
	–	–
	₱41,755,669	₱1,095,823,498

The equity in net losses amounting to ₱446.2 million pertains substantially to the share of STI ESG in the loss of PhilPlans arising from its full recognition of the mandated discount interest rate imposed by the Insurance Commission ("IC") on the reserves of pre-need companies. IC is the government regulatory agency supervising pre-need companies. In November 2012, the IC issued Circular Letter 23-2012 relating to the Valuation of Transitory Pre-need Reserves. The circular mandated that for the years 2012-2016, the discount interest rate shall be 8%; for 2017, 7.25%; for 2018, 6.5% and for 2019 onwards 6%. The purpose of this Circular is to provide regulatory leeway for the old basket of plans previously approved by the SEC when the pre-need companies were under its supervision. In July 2017, PhilPlans opted to have an early adoption of the 6% discount interest rate starting January 2017. This means higher allocation to pre-need reserves from its trust funds, thus recognizing a bigger expense item.

The carrying values of the Group's investments in and advances to associates and joint ventures are as follows:

	June 30, 2017 (Unaudited)	March 31, 2017 (Audited)
Associates:		
STI Alabang	**₱20,864,819**	₱20,864,819
GROW	**16,241,886**	15,507,702
STI Accent	**37,612,851**	37,277,147
STI Marikina	**385,946**	–
Maestro Holdings	–	1,053,968,500
Joint venture:		
PHEI	**4,263,018**	5,482,477
	79,368,520	1,133,100,645
Allowance for impairment loss	**37,612,851**	37,277,147
	₱41,755,669	₱1,095,823,498

As discussed in Note 9, on June 27, 2017, the BOD of STI ESG approved the disposal of its 20% stake in Maestro Holdings in whole or in part, subject to compliance with all regulatory requirements for the disposal of the said shares. Consequently, STI ESG reclassified its investments in Maestro Holdings with a carrying value of ₱755.1 million as at June 30, 2017 to "Noncurrent Asset held for sale" (see Note 2).

The Group's allowance for impairment loss on investments in and advances to associates and joint ventures amounting to ₱37.6 million and ₱37.3 million as at June 30, 2017 and March 31, 2017, respectively, pertain to the Group's investment in and advances to STI Accent.

13. Goodwill, Intangible and Other Noncurrent Assets

This account consists of:

	June 30, 2017 (Unaudited)	March 31, 2017 (Audited)
Goodwill	**₱241,235,574**	₱239,458,878
Deposits for asset acquisitions	**71,720,500**	72,764,000
Rental and utility deposits	**43,829,486**	45,641,805
Intangible assets	**24,501,859**	27,400,516
Advances to suppliers	**33,015,608**	29,663,654
Deferred input VAT	**9,767,344**	9,767,344
Others	**4,094,247**	2,489,774
	₱428,164,618	₱427,185,971

On May 23, 2017, STI Sta. Maria entered into a Deed of Assignment with Halili Reyes Educational Institution, Inc. ("HREI") whereby HREI assigned, transferred and conveyed in a manner absolute and irrevocable, and free and clear of all liens and encumbrances, to STI Sta. Maria all its rights, title and interest in its school's assets and liabilities for a price of ₱20.0 million. The assignment of the net assets was effective April 1, 2017. Consequently, the ₱18.0 million initial deposits made which were previously recognized under "Other noncurrent assets," were applied and STI Sta. Maria paid the remaining balance of ₱2.0 million.

The purchase price consideration has been allocated to the assets and liabilities based on the fair values at the date of acquisition resulting in goodwill amounting to ₱1.8 million. The carrying values of the financial assets and liabilities and other assets recognized at the date of acquisition approximate their fair values due to the short-term nature of the transactions.

14. Accounts Payable and Other Current Liabilities

This account consists of:

	June 30, 2017 (Unaudited)	March 31, 2017 (Audited)
Accounts payable	**₱223,990,056**	₱230,907,098
Dividends payable	**24,548,234**	25,278,074
Accrued expenses:		
Rent	**45,010,508**	40,929,809
Contracted services	**26,108,868**	29,632,054
School-related expenses	**11,126,354**	24,772,365
Salaries, wages and benefits	**16,490,980**	22,076,587
Utilities	**4,673,104**	5,259,861
Advertising and promotion	**7,217,980**	3,963,957
Interest	**22,617,414**	12,387,255
Others	**13,140,166**	12,920,630
Statutory payables	**18,324,834**	15,090,909
Network events fund	**7,930,656**	6,959,471
Current portion of refundable deposits	**1,106,752**	1,413,374
Current portion of payable to STI Diamond	**5,509,840**	3,712,143
Student organization fund	**4,375,993**	4,153,806
Others	**17,636,661**	20,635,665
	₱449,808,400	₱460,093,058

	June 30, 2017 (Unaudited)	March 31, 2017 (Audited)

15. **Interest-bearing Loans and Borrowings**

This account consists of:

	June 30, 2017 (Unaudited)	March 31, 2017 (Audited)
Current portion:		
Shor-term loans	**₱730,000,000**	₱745,000,000
Corporate notes facility	**67,800,000**	67,800,000
	797,800,000	812,800,000
Noncurrent	**916,400,000**	916,400,000
	₱1,714,200,000	₱1,729,200,000

a. Short-term Loans

On August 1, 2016, iACADEMY obtained a short-term loan from China Banking Corporation (“China Bank”) amounting to ₱200.0 million. The loan is subject to 3.75% interest per annum. Said loan has been renewed several times and is now due on August 18, 2017. The amount recognized as interest expense from the loan amounted to ₱3.1 million up to December 31, 2016. This loan is now being treated as bridge financing for the construction of the building for the Yakal campus of iACADEMY. Interest on this loan is being capitalized starting January 1, 2017 as part of the cost of the building. STI Holdings signed as co-maker for this bridge financing. This bridge loan will be paid from the term loan of ₱800.0 million being arranged with China Bank which will be secured by a real estate mortgage over the Yakal land owned by Neschester and the building being constructed thereon by iACADEMY together with all machineries, equipment and improvements to be installed therein.

STI ESG’s short term loan balance aggregated to ₱530.0 million and ₱545.0 million as at June 30, 2017 and March 31, 2017, respectively. STI ESG made a partial payment amounting to ₱15.0 million in May 2017. Interest rates of STI ESG loans ranged from 3.25% to 3.75%. The proceeds from these loans were used for working capital requirements.

b. Interest-bearing Loans and Borrowings

<u>Corporate Notes Facility</u>

On March 20, 2014, STI ESG entered into a Corporate Notes Facility Agreement (“Credit Facility Agreement”) with China Bank granting STI ESG a credit facility amounting to ₱3,000.0 million with a term of either 5 or 7 years. The facility is available in two tranches of ₱1,500.0 million each. The net proceeds from the issuance of the notes shall be used for capital expenditures and other general corporate purposes.

On May 9, 2014, the first drawdown date, STI ESG elected to have a 7-year term loan with floating interest based on the 1-year PDST-F plus a margin of two percent (2.00%) per annum, which interest rate shall in no case be lower than the BSP overnight rate plus a margin of three-fourths percent (0.75%) per annum, which is subject to repricing.

In 2015, STI ESG availed a total of ₱1,200.0 million loan with interest at 4.75%. STI ESG has made payments amounting to nil and ₱80.4 million for the three month period ended June 30, 2017 and for the year ended March 31, 2017, respectively.
An Accession Agreement to the Credit Facility Agreement was executed on December 16, 2014 among STI ESG, STI WNU and China Bank whereby STI WNU acceded to the Credit Facility entered into by STI ESG with China Bank in March 2014. On the same date, an Amendment and Supplemental Agreement was also executed by the parties allowing STI WNU to draw up to ₱300.0 million from the facility.

On December 19, 2014, STI ESG advised China Bank that it will not be availing of tranche 2 of the Credit Facility Agreement thus limiting the facility available to STI ESG to ₱1,500.0 million. On the same date, STI WNU availed the amount of ₱300.0 million under the same terms and conditions as that of STI ESG Credit Facility. This loan is secured by a Comprehensive Surety issued by the Parent Company. STI WNU fully settled its outstanding term loans with China Bank amounting to ₱67.0 million out of the net proceeds of the long term loan of ₱300.0 million. These term loans from China Bank were originally secured by land on which STI WNU is situated. The mortgage on the properties was cancelled and the land titles were released in January 2015.

STI WNU has made payments on the Corporate Notes Facility amounting to nil and ₱66.0 million for the three month period ended June 30, 2017 and for the year ended March 31, 2017, respectively.

Future repayment of the loan principal under the Credit Facility Agreement follows:

Fiscal year ending March 31	STI ESG	STI WNU
2018	40,800,000	27,000,000
2019	134,400,000	33,000,000
2020	240,000,000	79,600,000
2021	240,000,000	69,400,000
2022	120,000,000	–
	₱775,200,000	₱209,000,000

The Credit Facility Agreement, together with the Accession Agreement, contains, among others, covenants regarding incurring additional debt and declaration of dividends, to the extent that such will result in a breach of the required debt-to-equity and debt service cover ratios. STI ESG was required to maintain a debt-to-equity ratio of not more than 1.0:1 and debt service cover ratio of not less than 1.1:1.

On January 19, 2017, STI ESG, STI WNU and China Bank executed a Second Amendment and Supplemental Agreement to the Corporate Notes Facility Agreement. Significant amendments are as follows:

a) change in interest rate of either (1) the 1-year Benchmark Rate plus a margin of 1.5% per annum which interest rate shall in no case be lower than 3.75% per annum or (2) the 3-month Benchmark Rate plus a margin of 1.5% per annum which interest rate shall in no case be lower than 3.5% per annum.

b) amendments on the required financial ratios, whereby STI ESG shall maintain the following ratios which shall be computed based on the consolidated financial statements:

   (1) Debt-to-equity ratio of not more than 1.5x, computed by dividing total debt by total equity. For the purpose of this computation, total debt shall exclude unearned tuition and other school fees;

   (2) Debt service coverage ratio of a minimum of 1.05x.

On February 17, 2017, China Bank likewise advised STI WNU that it has approved that the latter shall maintain a Debt-to-Equity Ratio of not more than 1.5x, computed by dividing the total debt over the total equity and that for the purpose of this computation, total debt shall exclude unearned tuition and other school fees.

The required debt service coverage ratio of a minimum of 1.1x for STI WNU remained the same.

As at June 30, 2017 and March 31, 2017, STI ESG and STI WNU have complied with the above covenants.

c. Interest Expense

Starting with the interest period February 1, 2016, the one-year PDST-F was changed to PDST-R2 as the basis for determining the interest rate for both STI ESG and STI WNU loans. On January 31, 2017, STI ESG and STI WNU elected to adopt the interest rate based on the 1-year Benchmark Rate plus a margin of 1.5% per annum which interest rate shall in no case be lower than 3.75% payable every January 31 and July 31 of each year.

Interest incurred on the loans amounted to ₱14.9 million and ₱12.1 million as at June 30, 2017 and June 30, 2016 respectively.

16. **Bonds Payable**

This account consists of:

	June 30, 2017 (Unaudited)	March 31, 2017 (Audited)
Principal:		
Fixed rate bond due 2024	**₱2,180,000,000**	₱2,180,000,000
Fixed rate bond due 2027	**820,000,000**	820,000,000
	3,000,000,000	3,000,000,000
Less: unamortized debt issuance costs	**51,598,329**	52,971,362
	₱2,948,401,671	₱2,947,028,638

On March 23, 2017, STI ESG issued the first tranche of its ₱5,000.0 million fixed rate bonds program under its 3-year shelf registration with the SEC, which was listed through the Philippine Dealing and Exchange Corp. The bonds, amounting to an aggregate of ₱3,000.0 million, with interest payable quarterly, were issued with a fixed rate 5.8085% for the 7-year series, due 2024, and 6.3756% for the 10-year series, due 2027, and were rated a high rating of 'PRS Aa' by Philippine Rating Services Corporation ("PhilRatings"). Proceeds of the issuance will be used to finance the campus expansion projects, refinancing of the short-term loans incurred for the acquisition of land, and for other general corporate requirements of the Group.

The bonds include an embedded derivative in the form of an early redemption option that gives STI ESG the option, but not the obligation, to redeem in whole (and not in part), the outstanding bonds before the relevant maturity date, based on a certain price depending on the fixed early redemption option dates. Management has assessed that the early redemption option is closely related to the bonds and would not require to be separated from the value of the bonds and accounted for as a derivative under PAS 39, *Financial Instruments: Recognition and Measurement.*

A summary of the terms of STI ESG's issued bonds follows:

Year Issued	**Interest Payable**	**Term**	**Interest Rate**	**Principal Amount**	**Carrying Value as at June 30, 2017**	**Features**
2017	Quarterly	7 years	5.8085%	₱2,180,000,000	₱2,180,000,000	Callable on the 3rd month after the 5th anniversary of Issue Date and on the 6th anniversary of Issue Date
2017	Quarterly	10 years	6.3756%	820,000,000	820,000,000	Callable from the 7th anniversary issue and every year thereafter until the 9th anniversary issue date
				₱3,000,000,000	₱3,000,000,000	

Covenants
The bonds provide certain restrictions and requirements with respect to, among others, change in majority ownership and management, merger or consolidation with other corporation resulting in loss of control over the overall resulting entity and sale, lease, transfer or otherwise disposal of all or substantially all of its assets. The Credit Facility Agreement also contains, among others, covenants regarding incurring additional debt and declaration of dividends. STI ESG is required to maintain a debt-to-equity ratio of not more than 1.5:1 and debt service cover ratio of not less than 1.05:1.

STI ESG's debt-to-equity and debt service cover ratios as at June 30, 2017 and March 31, 2017 are as follows:

	June 30, 2017 (Unaudited)	March 31, 2017 (Audited)
Total liabilities*	**₱4,773,036,346**	₱4,794,395,544
Total equity	**6,179,665,135**	6,492,014,878
Debt-to-equity	**0.77:1.00**	0.74:1.00

	June 30, 2017 (Unaudited)	March 31, 2017 (Audited)
EBITDA**	**₱1,284,313,154**	₱1,298,327,425
Total interest-bearing liabilities	**806,832,738**	827,543,947
Debt service cover	**1.59:1.00**	1.57:1.00

* *Excluding unearned tuition and other school fees*
** *EBITDA for the last twelve months*

Bond Issuance Costs
STI ESG incurred costs related to the issuance of the bonds amounting to ₱53.1 million. These costs are capitalized and amortized using the effective interest rate method. Unamortized bond issuance costs are presented as a contra-liability account in the unaudited interim condensed consolidated statement of financial position as at June 30, 2017 and March 31, 2017. The carrying value of the unamortized bond issuance costs amounted to ₱51.6 million and ₱53.0 million as at June 30, 2017 and March 31, 2017, respectively. Amortization of bond issuance costs amounting to ₱1.3 million and nil for the three-month periods ended June 30, 2017 and 2016, respectively, is recognized as part of "Interest expense" account in the unaudited interim consolidated statement of comprehensive income.

Interest Expense
Interest expense associated with the bonds payable recognized in the unaudited interim condensed consolidated statement of comprehensive income amounted to ₱44.2 million and nil as at June 30, 2017 and June 30, 2016, respectively.

17. Other Noncurrent Liabilities

This account consists of:

	June 30, 2017 (Unaudited)	March 31,2017 (Audited)
Payable to STI Diamond - net of current portion	**₱55,319,616**	₱57,117,312
Advance rent	**39,135,025**	39,135,025
Refundable deposit - net of current portion	**19,644,246**	19,867,318
Deferred lease liabilities	**3,401,179**	3,233,954
	₱117,500,066	₱119,353,609

18. Equity

Common Stock

Details as at June 30 and March 31, 2017 follow:

	Shares	Amount
Common stock - ₱0.50 par value per share		
Authorized	10,000,000,000	₱5,000,000,000
Issued and outstanding	9,904,806,924	4,952,403,462

Other Comprehensive Income (Loss)

	June 30, 2017 (Unaudited)		
	Attributable to Equity Holders of the Parent Company	**Non-controlling interests**	**Total**
Unrealized mark-to-market gain on AFS financial assets	**₱470,846**	**₱185**	**₱471,031**
Share in associates' unrealized mark-to-market gain on AFS financial assets	**1,180**	**98,259,035**	**98,260,215**
Cumulative actuarial gain	**44,398,122**	**479,211**	**44,877,333**
Share in associates' cumulative actuarial gain	**84,135**	**687,282**	**771,417**
	₱44,954,283	**₱99,425,713**	**₱144,379,996**

	March 31, 2017 (Audited)		
	Attributable to Equity Holders of the Parent Company	Non-controlling interests	Total
Unrealized mark-to-market gain (loss) on AFS financial assets	₱462,127	(₱316)	₱461,811
Share in associates' unrealized mark-to-market loss on AFS financial assets	(48,710,891)	(663,278)	(49,374,169)
Cumulative actuarial gain	44,398,122	479,211	44,877,333
Share in associates' cumulative actuarial gain	722,894	10,107	733,001
	(₱3,127,748)	(₱174,276)	(₱3,302,024)

Other Comprehensive Income associated with Noncurrent Asset Held for Sale

The cumulative balance of other comprehensive income associated with noncurrent asset held for sale aggregating to ₱98.3 million is composed of:

	June 30, 2017 (Unaudited)
Shares in associates':	
Unrealized mark-to-market gain on AFS financial assets	**₱96,944,031**
Cumulative actuarial gain	**676,660**
Equity reserve	**718,885**
	₱98,339,576

Retained Earnings

Consolidated retained earnings represent STI ESG and other subsidiaries' retained earnings, net of amount attributable to NCI, and STI Holdings' accumulated earnings, net of dividends declared from April 1, 2010, after the Controlling Shareholder's acquisition of STI Holdings.

19. Related Party Transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. This includes: (a) enterprises or individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Parent Company; (b) associates; and (c) enterprises or individuals owning, directly or indirectly, an interest in the voting power of the company that gives them significant influence over the company, key management personnel, including directors and officers of the Group and close members of the family of any such enterprise or individual.

The following are the Group's transactions with its related parties:

	Amount of Transactions during the Period		**Outstanding Receivable (Payable)**			
Related Party	**June 30, 2017**	June 30, 2016	**June 30, 2017**	March 31, 2017	**Terms**	**Conditions**
Associates						
STI Accent						
Advances for various expenses and other charges	**₱335,704**	₱774,000	**₱37,612,851**	₱37,277,147	30 days upon receipt of billings; noninterest-bearing	Unsecured; with impairment

Related Party	Amount of Transactions during the Period June 30, 2017	June 30, 2016	Outstanding Receivable (Payable) June 30, 2017	March 31, 2017	Terms	Conditions
GROW						
Rental income and other charges	–	–	**7,119,094**	7,139,094	30 days upon receipt of billings	Unsecured; no impairment
Advances for various expenses	–	–	**143,571**	143,571	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
STI Alabang						
Educational services and sale of educational materials and supplies	**5,450,106**	4,240,191	**375,094**	1,124,509	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
STI Marikina						
Educational services and sale of educational materials and supplies	**5,808,367**	2,849,538	–	31,789	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Affiliates*						
PhilCare						
Rental income and other charges	**4,376,343**	4,441,382	**4,658,543**	3,572,074	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
HMO coverage	**1,440,822**	3,292,997	–	–	30 days upon receipt of billings; noninterest-bearing	–
Philippines First Insurance Co., Inc.						
Utilities and other charges	**43,659**	60,003	–	–	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Rental and other charges	**974,173**	989,020	**(565,100)**	(288,214)	Within 1 year; Noninterest-bearing	Unsecured; no impairment
Insurance	**192,695**	1,992,507	–	–	30 days upon receipt of billings; noninterest-bearing	Unsecured
Philippines First Condominium Corporation						
Association dues and other charges	**3,060,577**	3,239,742	–	–	30 days upon receipt of billings; noninterest-bearing	Unsecured
PhilLife						
Rental income and other charges	**4,152,512**	4,399,964	**1,341,483**	1,822,962	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Officers and employees						
Advances for various expenses	**10,054,045**	4,188,285	**23,754,873**	22,689,623	Liquidated within one month; noninterest-bearing	Unsecured; no impairment
Others						
Rental income and other charges	**168,034**	172,619	**2,170,616**	1,972,715	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
			₱76,611,025	₱75,485,270		

**Affiliates are entities under common control of a majority Shareholder*

Related party receivables and payables are generally settled in cash.

Outstanding receivables from related parties, before any allowance for impairment, and payables arising from these transactions are summarized below:

	June 30, 2017 (Unaudited)	March 31, 2017 (Audited)
Educational services (see Note 6)	**₱375,094**	₱1,156,298
Advances to officers and employees (see Note 6)	**23,754,873**	22,689,623
Rent and other related receivables	**15,289,736**	14,506,845
Current portion of advances to associates, joint ventures and other related parties	**143,571**	143,571
Advances to associates and joint ventures	**37,612,851**	37,277,147
Accounts payable (see Note 14)	**(565,100)**	(288,214)
	₱76,611,025	₱75,485,270

20. **Basic and Diluted Earnings (Loss) Per Share on Net Income (Loss) Attributable to Equity Holders of STI Holdings**

The table below shows the summary of net income (loss) and weighted average number of common shares outstanding used in the calculation of earnings (loss) per share for the three-month periods ended June 30, 2017 and 2016:

	2017	2016
	(Unaudited)	
Net income (loss) attributable to equity holders of STI Holdings	**(₱433,075,000)**	₱12,503,491
Common shares outstanding at beginning and end of period (see Note 18)	**9,904,806,924**	9,904,806,924
Basic and diluted earnings (loss) per share on net income (loss) attributable to equity holders of STI Holdings	**(₱0.044)**	₱0.001

The basic and diluted earnings (loss) per share are the same as there are no dilutive potential common shares.

21. **Contingencies and Commitments**

Contingencies

a. *Agreements with PWU and Unlad.* In various dates in 2011, 2012 and 2013, the Parent Company and AHC extended loans and advances to PWU and Unlad by virtue of several agreements (collectively, "Loan Documents"), which were secured by mortgages over PWU and Unlad properties, entered into among the Parent Company, AHC, PWU and Unlad in the total principal amount of ₱513.0 million. Upon the non-adherence to the terms and conditions stated in the agreements, the Parent Company and AHC served notices of default to PWU and Unlad in December 2014, and demanded the payment of the total combined amount of approximately ₱926.0 million, inclusive of interests, penalties, fees and taxes.

Upon failure to pay the aforesaid loan, the Parent Company and AHC enforced its rights under the aforesaid agreements and mortgages and filed several Petitions for Extra-Judicial Foreclosure of Real Estate Mortgage on (a) PWU Indiana and Taft Properties with the Office of the Clerk of Court and Ex-Officio Sheriff of the Regional Trial Court ("RTC") of Manila, (b) Unlad's properties in Quezon City and (c) Davao Property with the Office of the Clerk of Court and Ex-Officio Sheriff of the RTC of Quezon City and Davao, respectively, in February 2015.

On March 13, 2015, Helena Z. Benitez ("HZB") filed a Creditor-Initiated Petition for Rehabilitation of PWU in RTC Manila ("PWU Rehabilitation Case"). The PWU Rehabilitation Case was raffled to Branch 46 of the RTC Manila ("Rehabilitation Court").

On March 26, 2015, the Parent Company filed a Notice of Claim with the Rehabilitation Court.

On August 29, 2015, the Rehabilitation Court rendered a decision dismissing the PWU Rehabilitation Case.

After filing of the Motion for Reconsideration and responsive pleadings thereto, on January 21, 2016, the Rehabilitation Court denied the respective Motions for Reconsideration filed by HZB and PWU.

Extra-judicial foreclosure sales were conducted in various dates in 2015 and 2016 for the above mentioned properties and the Parent Company was declared as the winning bidder for all extra-judicial foreclosure sales held.

On March 1, 2016, the Parent Company and AHC executed a Deed of Assignment wherein AHC assigned its AHC Loan to Unlad, including capitalized foreclosure expenses, amounting to ₱66.7 million for a cash consideration of ₱73.8 million.

On March 22, 2016, the Parent Company, PWU, Unlad, and HZB entered into a MOA for the extinguishment and settlement of the outstanding obligations of PWU and Unlad to the Parent Company. The MOA includes, among others, the execution of the following on March 31, 2016:

- Deed of Dacion en pago of Quezon City Properties and Davao Property (collectively referred to as the "Deeds") in favor of the Parent Company

- Release and cancellation of mortgages over the Manila Properties to be executed by the Parent Company

The MOA also provides that the Parent Company will be committed to fund and advance all taxes, expenses and fees to the extent of ₱150.0 million in order to obtain the CAR and the issuance of new TCT and TD in favor of the Parent Company. In the event that such expenses are less than ₱150.0 million, the excess shall be given to Unlad. However, if the ₱150.0 million will be insufficient to cover the expenses, the Parent Company will provide the deficiency without any right of reimbursement from Unlad.

Prior to the settlement, the breakdown of the receivables from PWU and Unlad follows:

	PWU	Unlad	Total
Principal amount	₱250,000,000	₱263,000,000	₱513,000,000
Interest*	12,651,546	3,327,389	15,978,935
Auction expenses**	23,195,709	951,876	24,147,585
Foreclosure and legal expenses**	18,021,970	5,941,989	23,963,959
	₱303,869,225	₱273,221,254	₱577,090,479

**Interest up to December 31, 2012 only*
***₱15.2 million and ₱32.9 million of auction, foreclosure and legal expenses, were recognized as part of the noncurrent receivables in 2016 and 2015, respectively*

Pursuant to the MOA, on March 31, 2016, the Parent Company and Unlad entered into the Deeds wherein Unlad transferred four parcels of land in Quezon City and a parcel of land in Davao to the Parent Company for a total dacion price of ₱611.0 million and ₱300.0 million, respectively, for the settlement of the outstanding loans of PWU and Unlad. As at June 30, 2017 and March 31, 2017,"Investment properties" account includes the Quezon City and Davao properties.

Relative to the above, the following cases have been filed:

(i). *Complaint filed by the Heirs of the Family of Villa-Abrille relative to Unlad's Davao Property.* On October 21, 2015, the Parent Company and AHC each received copies of the Complaint filed by the Heirs of Carlos Villa-Abrille, Heirs of Luisa Villa-Abrille, Heirs of Candelaria V.A. Tan, Heirs of Adolfo V.A. Lim, Heirs of Saya V.A. Lim Chiu, Heirs of Guinga V.A. Lim Lu, Heirs of Rosalia V.A. Lim Lua, Heirs of Lorenzo V.A. Lim, and Heirs of Fermin Abella against the Philippine Women's Educational Association ("PWEA"), Unlad, the Parent Company, and AHC for cancellation of certificate of title, reconveyance of real property, declaration of nullity of real estate mortgage, damages, and attorney's fees. The subject matter of the case is Unlad's property located in Davao City.

The Plaintiffs claim that ownership of Unlad's property in Davao City should revert back to them because PWEA and Unlad violated the restrictions contained in the Deed of Sale covering the property. The restrictions referred to by the Plaintiffs provide that PWEA shall use the land for educational purposes only and shall not subdivide the land for purposes of resale or lease to other persons. The Plaintiffs also claim that the real estate mortgage constituted over Unlad's property in Davao City in favor of the Parent Company and AHC should be declared null and void because PWEA and Unlad have no capacity to mortgage the property based on the restrictions contained in the Deed of Sale.

On November 20, 2015, the Parent Company and AHC filed the Motion to Dismiss ("First Motion to Dismiss"). In the First Motion to Dismiss, the Parent Company and AHC asserted that the Plaintiffs' cause of action against PWEA and Unlad has prescribed considering that the alleged violation of the restrictions in the Deed of Sale occurred in 1987 or more than ten (10) years from the filing of the case. In addition, Plaintiffs cannot seek the cancellation of the real estate mortgage in favor of the Parent Company and AHC because (a) Plaintiffs are not privy/real parties in interest to the said mortgage, and (b) the restrictions in the title and Deed of Sale do not prohibit the mortgage of the subject property. The First Motion to Dismiss was scheduled by the Trial Court on December 4, 2015.

On December 4, 2015, the Plaintiffs failed to attend the hearing of the Motion to Dismiss. The Trial Court instead ordered the Plaintiffs to file their comment to the Motion to

Dismiss within ten (10) days from receipt of its order while the Parent Company and AHC are given the same period to file their reply thereto.

The Trial Court also noticed that the records failed to show that PWEA and Unlad received the Summons. The Trial Court then ordered the branch sheriff to cause the service of the Summons to PWEA and Unlad.

Despite the extensions given to the Plaintiffs, Plaintiffs belatedly filed its Comment/Opposition to the First Motion to Dismiss. Subsequently, the Parent Company and AHC filed a Second Motion to Dismiss dated March 22, 2016 ("Second Motion to Dismiss").

In the Second Motion to Dismiss, the Parent Company and AHC informed the Trial Court that they were able to discover that the plaintiffs filed a similar case against PWEA and Unlad with another Trial Court of Davao City, which was dismissed without qualifications for their failure to comply with the said Trial Court's order. Said dismissal was eventually affirmed with finality by the Supreme Court. Because of this information, the Parent Company and AHC moved to dismiss the case for res judicata and willful and deliberate forum shopping for filing the same case to the Trial Court.

After receipt of all the motions filed by the Parent Company and AHC, the Trial Court ordered the parties to file their responsive pleadings to said pending motions, after which, the same shall be submitted for resolution.

The parties filed their responsive pleading wherein the last responsive pleading was filed on May 30, 2016. With the filing of the said last responsive pleading, the Motions to Dismiss were submitted for resolution.

On October 20, 2016, the Trial Court issued the Order, which granted the Motions to Dismiss, and dismissed the instant case on the basis of (a) prescription, and (b) res judicata. The Trial Court likewise affirmed that there were no violations of the provisions and/or restrictions in the Deed of Sale annotated on the title of the subject property because (a) the mortgage of the subject property between the Parent Company and AHC and Unlad is not a prohibited act; and (b) there is no allegation that the subject property shall not be used by the Parent Company and AHC for educational purpose.

On November 24, 2016, the Plaintiffs filed a Notice of Appeal of the Order dated October 20, 2016, and sought the reversal of the same with the Court of Appeals-Cagayan de Oro ("Court of Appeals").

On February 22, 2017, the Parent Company and AHC received the Notice from the Court of Appeals that the Plaintiffs' appeal is docketed as CA-G.R. CV No. 04538. The Court of Appeals required the Plaintiffs to file their Appellants' Brief within forty five (45) days from their receipt of the said Notice. Upon receipt of their Appellants' Brief, the Parent Company and AHC have the same period to file its Appellees' Brief.

After filing a Motion for Extension of time to file the Appellants' Brief, the Plaintiffs filed their Appellants' Brief. In the Appellants-Brief, they reiterated that (a) their cause of action in Civil Case No. 36,430-2015 has not prescribed, (b) they have a cause of action against the Corporation to nullify the mortgage contracts over the subject property and (c) there is no res judicata.

While co-Respondents PWEA and UNLAD filed their joint Appellees' Brief, the Parent Company and AHC filed an Omnibus Motion on June 21, 2017. In the Omnibus Motion, the Parent Company and AHC moved to dismiss the Plaintiffs' appeal because the Appellants' Brief did not comply with the mandatory requirements on the content thereof and period to file the same as provided in Sections 7 and 13 of Rule 44 in relation to Section 1 of Rule 50 of the Rules of the Court. The Parent Company and AHC likewise move to suspend the filing of the Appellees' Brief pending the resolution of the said motion to dismiss appeal.

On August 1, 2017, the Parent Company and AHC received the Resolution of the Court of Appeals. In the Resolution, the Court of Appeals, among others, (a) noted the filing of the Omnibus Motion, and (b) required Plaintiffs' to file their Comment thereto within ten (10) days from their receipt of the Resolution.

(ii) *Arbitration Case and Derivative Suit filed by Mr. Conrado Benitez II.*

(a) Mr. Conrado L. Benitez II (the "Claimant") filed a Request for Arbitration, with the Philippine Dispute Resolution Center, Inc. ("PDRCI"), for and on behalf of PWU and Unlad, wherein he requested that the directors/trustees and stockholders/members of Unlad and PWU, Mr. Eusebio H. Tanco ("EHT"), the Parent Company, Mr. Alfredo Abelardo B. Benitez ("ABB") and AHC (collectively, the "Respondents") submit the alleged dispute over the settlement of the loan obligations of PWU and Unlad as provided in the arbitration clause of the Joint Venture Agreement and Omnibus Agreement (the "Loan Documents").

In the said Arbitration Case, the Claimant asserted that PWU and Unlad are not in default in their obligations under the Loan Documents. The obligations provided therein, specifically obtaining a tax free ruling for Property for Share Swap Transaction from the Bureau of Internal Revenue, is an impossible condition. Consequently, the foreclosures on the securities of the Loan Documents, real properties of PWU and Unlad, were null and void because (a) failure to submit the case for arbitration and (b) PWU and Unlad are not in default. Based on such circumstances, the Claimant sought, among others, the (a) renegotiation, or (b) rescission of the Loan Documents. Should the Loan Documents be rescinded, the Claimant also sought that PWU and Unlad shall be allowed twelve months to sell the Davao and Quezon City Properties to return the alleged investments made by the Parent Company, EHT, ABB and AHC. Lastly, the Claimant sought the payment of attorney's fees not less than ₱5.0 million, ₱0.5 million for expenses and reimbursement of cost of suit, expenses, and other fees.

On July 12, 2016, the Parent Company, AHC and EHT received the Notice of Arbitration from the PDRCI, and required said parties to file their Response to the Request for Arbitration filed by the Claimant within thirty (30) days from receipt thereof, or until August 11, 2016.

Upon verification with the PDRCI, the Claimant has yet to pay the full amount of fees required by the PDRCI.

Based on the rules of the PDRCI, the Respondents in the arbitration case need not file their Response until full payment of the Claimant.

Based on said circumstances, the Parent Company, AHC, and EHT filed an Entry of Appearance with Manifestation ("Manifestation"). In the Manifestation, they informed the PDRCI that the filing of their Response shall be deferred until full payment of the provisional advance of cost by the Claimant as required under the PDRCI Rules. Likewise, they manifested that the Claimant should be compelled to pay said fees in order for the PDRCI and/or the arbitral tribunal to be constituted to rule on the defenses and/or claim to be raised by the Parent Company, AHC and EHT.

On September 7, 2016, the PDRCI issued a *Notice* dated August 26, 2016, which informed the parties to the instant case that the proceedings are suspended until the Claimant settles the outstanding provisional advance on cost for filing the instant case.

In view of the foregoing, the case is deemed suspended pending the settlement by the Claimant of the provisional advance on cost.

(b) After filing the Request for Arbitration, Mr. Conrado L. Benitez II (the "Petitioner") then filed a derivative suit for himself and on behalf of Unlad and PWU against directors/trustees and stockholders/members of Unlad and PWU, EHT, the Parent Company, ABB and AHC (collectively, the "Defendants") docketed as Civil Case No. 16-136130 in the RTC of Manila (the "Derivative Suit"). The Derivative Suit was raffled to Branch 24 of the RTC of Manila presided over by Judge Ma. Victoria A. Soriano-Villadolid.

In the Derivative Suit, the Petitioner primarily asserts that the Parent Company, EHT, ABB and AHC should submit themselves to the arbitration proceedings filed with the PDRCI because the Loan Documents required any alleged dispute over the same to be resolved through arbitration. Consequently, the Petitioner alleges that the foreclosure proceedings and settlement of the obligations of PWU and Unlad as evidenced by the MOA dated March 22, 2016 executed by PWU and Unlad with the Parent Company and AHC are null and void for not complying with the aforesaid arbitration clause. Likewise, the Petitioner sought the payment of attorney's fees not less than ₱1.0 million, ₱0.1 million for expenses and cost of suit.

On July 26, 2016, the Parent Company and AHC filed their Joint Answer with Compulsory Counterclaim ("Joint Answer"). In the Joint Answer, the Parent Company and AHC asserted that the instant case is a mere harassment and nuisance suit, and a deliberate form of forum shopping when the Petitioner filed the Arbitration Case for the same purpose. Likewise, the Petitioner cannot compel the corporations to submit themselves to arbitration because (a) the parties to the Loan Documents have already settled any disputes, and (b) the said corporations are not stockholders and members of PWU and Unlad. Lastly, the relevant laws allow the Parent Company and AHC to institute foreclosure proceedings even if there is an arbitration clause.

Simultaneously, EHT filed his Answer wherein he asserted that the Petitioner cannot compel him to submit himself to arbitration when he is not a party to the Loan Documents. Under the relevant laws and arbitration clause of the Loan Documents, only parties to said contracts may be required to submit themselves to arbitration. EHT has ceased to be a party to the Joint Venture Agreement when he assigned all his rights and interests thereto to the Parent Company, while he is not a party to the Omnibus Agreement. EHT further asserted that the Petitioner's only motive of including him in said case is to destroy his good name with the latter's blatant lies and baseless allegations.

The Petitioner then filed his Consolidated Reply to the Joint Answer and Answer of EHT.

Meanwhile, Defendants ABB, Dr. Francisco Benitez (as president of PWU), and Mr. Marco Alfredo Benitez (as president of Unlad) filed their respective Motion(s) to set preliminary hearing on the special and affirmative defenses raised by said Defendants in their respective Answers.

On October 19, 2016, the Petitioner filed his Ex Parte Motion to Set Pre-Trial of the instant case.

The Trial Court ordered the parties to file their respective comments to the aforesaid Motions.

Based on the records of the case, Dr. Francisco Benitez (as president of PWU), and Mr. Marco Alfredo Benitez (as president of Unlad) have filed their opposition to the Ex Parte Motion to Set Pre-Trial insofar as the same is premature due to the pending Motion(s) to set preliminary hearing on the special and affirmative defenses.

On November 11, 2016, the Parent Company, AHC and EHT filed their respective Motion(s) to Set Hearing on Affirmative Defenses. In EHT's Motions, EHT moved to dismiss the case because EHT is no longer a party to the loan documents subject of the instant case. While, the Parent Company and AHC asserted that the dismissal of the case is warranted when (a) the Plaintiff is guilty of forum shopping for filing the arbitration case with the PDRCI and (b) the same is a mere harassment and/or nuisance suit. The said Motions were set for hearing on December 8, 2016.

After the hearing on the aforesaid Motions filed by the Defendants in the instant case and filing of all the parties their respective responsive pleadings to the said Motions, the Trial Court issued its Order dated February 22, 2017, which denied the co-defendants respective Motion(s) to Set Preliminary Hearing on the Special and Affirmative Defenses.

On March 13, 2017, the Parent Company, AHC and EHT received two (2) Order(s) both dated March 3, 2017 from the Trial Court. The first Order provides that their Motion(s) to Set Preliminary Hearing on the Special and Affirmative Defenses were denied by the Trial Court while the second Order set the case for pre-trial conference on April 18, 2017 with pre-marking of documentary evidence on April 7, 2017 ("Notice of Pre-Trial"). The Notice of Pre-Trial further requires the parties to file their respective (a) pre-trial briefs, (b) documentary evidence, (c) affidavits of witnesses, and (d) special power of attorney of counsels, in case any of the party-litigants cannot attend the pre-trial conference.

After participating in the pre-marking of evidence and filing of their respective Pre-Trial Briefs and Judicial Affidavits of witnesses, the parties' respective counsels attended the pre-trial for the above-captioned case on April 18, 2017.

During the pre-trial conference, the Trial Court referred the case for Court-Annexed Mediation with the Philippine Mediation Center ("PMC") as allowed during pre-trial. The Trial Court further informed the parties that should the parties fail to amicably settle, the Trial Court may require the parties to (a) file their respective Memorandum, (b) present their evidence or witness on factual issues need to be clarified and/or resolved, and/or (c) submit the case for judgment based on the pleadings and evidence submitted by the parties.

Immediately after the hearing, the parties went to the PMC, wherein the parties agreed to schedule the mediation hearing on May 3, 2017. While setting the schedule of the mediation hearing, counsel for the Petitioner made a proposal for the amicable settlement of the instant case.

On May 2, 2017, the Parent Company and AHC received the Urgent Motion (For Issuance of Temporary Restraining Order and Writ of Preliminary Injunction) ("Motion for TRO/Injunction") filed by the Petitioner. In the Motion for TRO/Injunction, the Petitioner sought to enjoin the construction work being initiated by the Parent Company on the Davao Property on the ground that (a) the said property is subject of the instant case, and (b) Unlad and/or Philippine Women's College of Davao will be dispossessed of the said property. The Motion for TRO/Injunction was scheduled by the Trial Court on May 11, 2017.

On May 3, 2017, the parties were all present for the mediation hearing. During said hearing, the Parent Company, through counsel, manifested that it rejects the Petitioner's proposal, and moved to terminate the mediation hearing. Upon said motion, the Court-Annexed Mediation was terminated.
On May 11, 2017, the parties' respective counsels attended the hearing on the Motion for TRO/Injunction. During the hearing, the Trial Court denied the Petitioner's request for a status quo pending the resolution of the said Motion. Instead, the Trial Court required the parties to file their respective Position Paper on the issuance of the TRO on May 18, 2017. The Trial Court also set the hearing on the issuance of a Preliminary Injunction wherein the parties will present their respective witnesses and evidence for the same.

While the aforesaid Motion for TRO/Injunction was pending, on May 17, 2017, the Parent Company and AHC received an Ex Parte Reiterative Motion of the Plaintiff. In the said Ex Parte Motion, the Petitioner reiterated his request for a status quo order considering that the Parent Company was able to obtain a permit to construct a fence on the Davao Property. The said Motion was set for hearing on May 18, 2017.

On May 18, 2017, all of the parties filed their respective Position Papers in relation to Petitioner's Motion for TRO/Injunction.

On May 25, 2017, the Petitioner filed a Manifestation and Motion to Withdraw its Motion for TRO/Injunction. The Petitioner alleged that instead of conducting hearings on the issuance of an Injunction, the Trial Court should proceed to resolve the case based on the pleadings and affidavits already filed by the parties in accordance with Interim Rules Governing Intra-Corporate Controversies.

Upon receipt of the aforesaid Manifestation and Motion to Withdraw of the Petitioner, the Trial Court granted the same and cancelled the scheduled injunction hearings.

On July 5, 2017, the Parent Company, AHC and EHT received the Trial Court's Order dated June 23, 2017. In the Order, the parties were required to file their respective Memoranda within twenty (20) days from receipt thereof in order for the Trial Court to proceed to render judgment, full or otherwise, based on all of the pleadings and evidence submitted by the parties in relation and pursuant to Rule 4, Section 4 of the Interim Rules of Procedure Governing Intra-Corporate Controversies under Republic Act No. 8799 (“Interim Rules”).

On July 25, 2017, all of the parties filed their respective Memoranda.

Considering the filing of the aforesaid Memoranda, the case is deemed submitted for judgment, full or otherwise, pursuant to Rule 4, Section 4 of the Interim Rules.

b. *Specific Performance Case filed by the Agustin Family*. The Agustin family filed a Specific Performance case against the Parent Company for the payment by the latter of the remaining balance of the purchase price for the sale of the Agustin Family’s shares in STI WNU.

The Agustin family alleges in their Complaint that based on the Share Purchase Agreement and Deed of Absolute Sale they executed with the Parent Company, the price of their shares in STI WNU has been pegged at ₱400.0 million. Despite these two agreements, the Parent Company refuses to pay the full purchase price for the STI WNU shares they acquired from the Agustin family.

In its Answer, the Parent Company stated that the Agustin family is not entitled to the full purchase price of their STI WNU shares because they have not complied with all the requirements for its release. In particular, the Agustin family has not been able to deliver the Commission on Higher Education permits for the operation of STI WNU’s Maritime Program as provided in the MOA, and the Share Purchase Agreement. In addition, there are other trade receivables in favor of STI WNU wherein full satisfaction of the same entitles the Agustins a portion of the balance of the purchase price.

On June 2, 2016, the Parent Company received the Agustins' Reply to the Answer. In the Reply, the Agustin family are asserting that (a) the Memorandum of Agreement, Share Purchase Agreement and Deed of Absolute Sale (the “STI WNU Contracts”) provide that the Parent Company can withhold the payment of the remaining balance of ₱50.0 million, which alleged to be pursuant to the license to operate the Maritime Programs of STI WNU, and (b) the Parent Company should be deemed to have agreed on the ₱400.0 million purchase price. Likewise, the allegations in the Answer are also against the Parol Evidence Rule which provides that the parties to a written agreement cannot change the stipulations provided therein.

The Agustin family also filed and served a Request for Admission to the Parent Company’s counsel wherein they sought the Parent Company to submit (a) the existences and authenticity of the STI WNU Contracts, (b) issues of the instant case are (i) determination of the final purchase price based on the STI WNU Contracts and (ii) final purchase price should be either the ₱400.0 million or the adjusted price of ₱350.0 million, and (c) the STI WNU Contracts constitute the entire written agreement of the parties.

On June 17, 2016, the Parent Company filed its Comment/Opposition to the Agustin family’s Request for Admission. In the Comment/Opposition, the Parent Company filed their objections thereto and sought the same to be denied or deemed ineffectual on the following grounds; (a) defective service because it should have been served directly to the Parent Company and not to its counsel as required under the Rules of Court, (b) redundant because the matters raised therein have already been addressed in the Answer, and (c) improper and irrelevant because it sought admission of issues which are proper during pre-trial and not in a Request for Admission.

Besides the Trial Court's resolutions on the aforesaid objections to the Request for Admission, the case may be referred to pre-trial and/or court-annexed mediation unless the Agustin family filed any other motions or pleading.

Pending the resolution on the aforesaid objections, the Agustin family filed an Omnibus Motion, which seeks, among others, a judgment on the pleadings to be issued against the Parent Company by the Trial Court. The Agustin family asserted that the Parent Company is prohibited from presenting parol evidence.

Pursuant to the order of the Trial Court, the parties filed their respective responsive pleadings in relation to the Agustin family's Omnibus Motion.

On March 27, 2017, the Trial Court issued the Omnibus Order, which denied the Agustin family's Omnibus Motion. In the Omnibus Order, the Trial Court affirmed that the matter raised in the Request for Admission has already been admitted by the Parent Company. The Trial Court also adopted the Parent Company's position that the affirmative defenses raised in the Answer may only be resolved in a full blown trial, and consequently, the Agustin family's Judgment on the Pleading should be denied for lack of merit.

On May 2, 2017, the Parent Company received the Agustin family's Motion for Reconsideration. In the Motion for Reconsideration, the Agustin family reiterated its position that the Parent Company could not question or insist the reduction of the purchase price of WNU Shares due to their failure to submit the CHEd Permits when the Share Purchase Agreement and Deed of Absolute Sale of the WNU Shares stipulated that the purchase price is for the amount of ₱400.0 million). The Motion for Reconsideration was set for hearing on May 5, 2017.

During the May 5, 2017 hearing, the Trial Court allowed the parties to file their respective responsive pleadings to the Agustin family's Motion for Reconsideration, wherein the Parent Company had to file its Comment/Opposition thereto on May 22, 2017. After the filing of all of the said responsive pleadings of the parties, the Motion for Reconsideration was submitted for resolution. The Trial Court likewise set the pre-trial of the instant case on August 15, 2017.

The parties have filed their respective responsive pleadings to the Agustin family's Motion for Reconsideration. As at report date, there is no resolution on the said Motion for Reconsideration.

c. *Tax Assessment Case*. STI ESG filed a petition for review with the Court of Tax Appeals ("CTA") on October 12, 2009. This is to contest the Final Decision on Disputed Assessment issued by the BIR assessing STI ESG for deficiencies on income tax, and expanded withholding tax for the year ended March 31, 2003 amounting to ₱124.3 million. On February 20, 2012, STI ESG rested its case and its evidence has been admitted into the records.

   On June 27, 2012, the BIR rested its case and has formally offered its evidence. On April 17, 2013, the CTA issued a Decision which granted STI ESG's petition for review and ordered the cancellation of the BIR's assessment since its right to issue an assessment for the alleged deficiency taxes had already prescribed. On May 16, 2013, STI ESG received a copy of the Commissioner of Internal Revenue's ("CIR") Motion for Reconsideration dated May 8, 2013. STI ESG filed its Comment to CIR's Motion for Reconsideration on June 13, 2013. The CTA issued a resolution dated July 17, 2013 denying the CIR's Motion for Reconsideration. On August 22, 2013, the CIR filed its Petition for Review dated August 16, 2013, with the CTA En Banc. On October 29, 2013, STI ESG filed its Comment to the CIR's

Petition for Review. The CTA En Banc deemed the case submitted for decision on May 19, 2014, considering the CIR's failure to file its memorandum. On March 24, 2015, the CTA En Banc affirmed the decision dated April 17, 2013 and the resolution dated July 17, 2013 and granted STI ESG's Petition for Review and ordered the cancellation of the BIR assessment for the fiscal year ending March 31, 2003. On April 21, 2015, the CIR filed a Motion for Reconsideration with the CTA En Banc. On July 3, 2015, STI ESG filed its Comment on the Motion for Reconsideration. On September 2, 2015, the CTA En Banc denied the CIR's Motion for Reconsideration. On October 30, 2015, the CIR filed a Petition for Review with the Supreme Court. On January 26, 2016, STI ESG received a notice from the Supreme Court requiring it to file its Comment on the Petition for Review filed by the CIR. On February 5, 2016, STI ESG filed a Motion for Extension of Time to File Comment on the Petition for Review requesting an additional period of twenty (20) days from February 5, 2016, or until February 25, 2016, within which to file the Comment. On February 25, 2016, STI ESG filed another Motion for Extension of Time to File Comment on the Petition for Review requesting an additional period of fifteen (15) days from February 25, 2016, or until March 11, 2016, within which to file the Comment. On March 11, 2016, STI ESG, through its counsel, filed its Comment on the Petition. On October 27, 2016, STI ESG received a notice from the Supreme Court in which the Court, *inter alia,* required the CIR to reply to STI ESG's Comment (to the Petition for Review) within 10 days from receipt of notice. On November 25, 2016, the CIR filed his reply to STI ESG's Comment. As at report date, the case is pending resolution by the Supreme Court.

d. *Labor Case*. A former employee of STI ESG filed a Petition with the Supreme Court after the Court of Appeals denied the former employee's claims and rendered prior decisions in favor of STI ESG. On August 13, 2014, STI ESG received the Supreme Court's decision dated July 9, 2014 annulling the decision of the Court of Appeals and ordered that STI ESG reinstate the former employee to her former position and pay the exact salary, benefits, privileges and emoluments which the current holder of the position is receiving and should be paid backwages from the date of the former employee's dismissal until fully paid, with legal interest. On August 28, 2014, STI ESG filed its Motion for Reconsideration and on November 17, 2014, the Supreme Court issued a resolution which denied with finality STI ESG's Motion for Reconsideration. On January 5, 2015, STI ESG filed an Omnibus Motion and requested to move the case for review by the Supreme Court En Banc. On May 22, 2015, STI ESG received a notice from the Supreme Court which denied STI ESG's Omnibus Motion. As a result of the decision, STI ESG recognized provision amounting to ₱3.0 million representing the estimated compensation to be made to the former employee. On October 20, 2015, a Bank Order to release was issued to one of STI ESG's depository banks for the release of the garnished amount of ₱2.2 million. The bank released the garnished amount to the National Labor Relations Commission ("NLRC").

The garnished amount was put on hold for fifteen (15) days because of the filing of STI ESG's Petition questioning, among others, the Writ of Execution issued by Labor Arbiter, which was docketed as LER-CN-10291-15.

While the Petition was pending for resolution by the NLRC and without any injunction order being issued by the said Commission, the garnished amount of ₱2.2 million was released to the former employee.

On March 1, 2016, the former employee filed an Entry of Appearance with Manifestation/Motion for Computation dated February 24, 2016. In the said motion, the former employee sought for computation of her backwages, inclusive of monetary equivalent of leaves and 13th month pay from July 22, 2004 until the same is actually paid. In addition, the former employee waived the reinstatement aspect of the March 31, 2006 Decision of Labor Arbiter, and sought the payment of separation pay.

As mentioned in an earlier paragraph, STI ESG on October 19, 2015, STI ESG filed a Petition with the NLRC, docketed as LER-CN-10291-15, to (1) annul the Writ of Execution issued by the Labor Arbiter for the amount of ₱2.2 million, and (2) order the payment of separation pay in favor of the former employee instead of reinstatement as Chief Operating Officer of STI-Makati.

In the said Petition, STI ESG asserted that the Writ of Execution was issued with undue haste when there were pending issues to be resolved by Labor Arbiter with respect to the computation of the judgment award of the former employee. In addition, Labor Arbiter cannot order the former employee to be reinstated as Chief Operating Officer of STI-Makati because said position no longer exists. STI ESG averred that an order of separation pay in lieu of reinstatement should be issued in favor of the former employee.

On October 28, 2015, STI ESG filed another Petition with the NLRC, which sought to inhibit Labor Arbiter from continuing the execution proceedings for the former employee's judgment award. In the said Petition, STI ESG alleged that the actions of Labor Arbiter showed partiality and bias in favor of the former employee.

On October 29, 2015, STI ESG filed a Motion to Consolidate with the NLRC. In the said Motion, STI ESG moved that the aforesaid Petitions would be consolidated and resolved by the same Division of the NLRC.

The former employee, thru her new counsel, filed two (2) Entry of Appearance with Motion for Leave (To Admit Attached Answer with Comment/Opposition) for the two (2) Petitions of STI ESG. In the said Comment/Opposition, the former employee averred that (a) the Writ of Execution was issued pursuant to the Supreme Court's Decision dated July 9, 2014 and (b) the acts of Labor Arbiter were above-board.

On February 29, 2016, the Sixth Division of the NLRC issued a Decision wherein it, among others, nullified the Writ of Execution, and ordered the inhibition of Labor Arbiter. In the same Decision, the Sixth Division of the NLRC also set a guide for the enforcement of the judgment award in favor of the former employee, which provides, among others, that the computation of the backwages of the former employee shall be from May 18, 2004 until October 30, 2006.

On March 29, 2016, STI ESG received the former employee's Motion for Reconsideration. In the Motion for Reconsideration, the former employee questioned the guide issued by the NLRC and the inhibition of the Labor Arbiter.

On April 19, 2016, STI ESG filed a Motion for Leave (To Admit Comment and/or Opposition with Manifestation). In the Comment and/or Opposition, STI ESG defended the guide issued by the Sixth Division of the NLRC and the inhibition on the Labor Arbiter by, among others, asserting that the former employee's grounds for reconsideration of the Decision are based on misleading allegations, and misquoted orders and pleadings of the Corporation. STI ESG also manifested to that (1) it would no longer seek the cancellation of the Writ of Execution provided that any legal effect thereof on the judgment award shall be recognized and applied therein, and (2) the appropriate labor arbiter commence with the computation of the separation pay in lieu of reinstatement.

On July 1, 2016, STI ESG received the Resolution of the NLRC, which denied the former employee's Motion for Reconsideration.

On September 6, 2016, STI ESG received the Petition for Certiorari filed by the former employee to the Court of Appeals wherein she questioned the Decision dated February 29, 2016 and Resolution dated June 28, 2016 issued by the NLRC. In the Petition, the former employee reiterated all her grounds in the Motion for Reconsideration filed to the NLRC.

On September 26, 2016, STI ESG filed its Comment/Opposition Ad Cautelam. In the said Comment/Opposition, STI ESG reiterated its arguments raised against the former employee's Motion for Reconsideration. In addition, STI ESG raised that (a) the issue on annulment of the Writ of Execution should be deemed moot because STI ESG has already manifested that it would no longer enforce said decision, and (b) the former employee should show proof that the Motion for Reconsideration was actually filed to the NLRC within the period allowed by law or otherwise, the Petition should be denied due to non-exhaustion of administrative remedies.

Upon filing of extension to file Reply to the Comment/Opposition Ad Cautelam of STI ESG, the former employee filed her Reply thereto on October 19, 2016.

On October 24, 2016, the Court of Appeals referred the case for mediation with the Philippine Mediation Center-Court of Appeals. Based on the relevant rules, the mediator assigned in the instant case has an extendible thirty (30) days to complete the mediation proceeding. Should the parties fail to settle the instant case, the case shall be referred to the Court of Appeals for resolution.

Both parties attended the mediation hearing wherein both parties provided their respective settlement amount wherein the former employee rejected the last proposal made by STI ESG. Considering that both parties failed to amicably settle, the mediation proceedings was terminated.

On April 11, 2017, STI ESG received the Court of Appeals' Resolution which required both parties to file their respective Memoranda within a non-extendible period of fifteen (15) days from receipt thereof or until April 26, 2017.

In compliance with the aforesaid Resolution, STI ESG filed its Memorandum on April 26, 2017.

On June 6, 2017, STI ESG received the Court of Appeal's Decision on the former employee's Petition for Certiorari. In the Decision, the Court of Appeals determined that there is no need to resolve the issue on the nullification of the Partial Writ of Execution because both parties agreed that the funds garnished by virtue of said Writ to the former employee shall be considered as partial satisfaction of her judgment award.

The Court of Appeals likewise clarified that the issue on the former employee's waiver of reinstatement pending appeal should have been resolved by the new labor arbiter, and not the NLRC. Contrary to the former employee's assertion that the former labor arbiter resolved the said issue, the Court of Appeals took into consideration that the NLRC validly ordered the re-raffle of the case to a new labor arbiter who should resolve all pending incidents and issues.

Without making any findings and/or rulings contrary to STI ESG's claim that the former employee waived her reinstatement pending appeal on October 2006 and consequently invalidated her assertion that her backwages should be computed from May 2004 until present day, the Court of Appeals affirmed the re-raffle of the execution proceedings of the former employee's judgment award to a new labor arbiter to make an independent determination of all pending incidents and issues.

Considering the aforesaid Decision did not prejudice STI ESG's position, STI ESG decided to refer all pending issues on the execution of the judgment award of the former employee, including the waiver of backwages pending appeal, to the new labor arbiter.

As at report date, there is no notice that the case has already been referred to the new labor arbiter and/or filing of any Motion for Reconsideration by the former employee on the aforesaid Decision.

e. *Specific Performance Case*. STI College Cebu, Inc. ("STI Cebu") was named defendant in a case filed by certain individuals for specific performance and damages. In their Complaint, the plaintiffs sought the execution of Deed of Absolute Sale over a parcel of land situated in Cebu City on the bases of an alleged perfected contract to sell. On March 15, 2016, STI ESG, as the surviving corporation in the merger between STI ESG and STI Cebu (see Note 1), filed a Motion to Dismiss. On March 31, 2016, STI ESG received the plaintiffs' Comment/Opposition to Motion to Dismiss with Motion to Declare Defendant in Default ("Motion"). On April 8, 2016, the Court required STI ESG and the plaintiffs to file their respective Position Papers to the Motion to Dismiss and the plaintiffs' Motion until April 13, 2016. On April 12, 2016, STI ESG received the plaintiff's Position Paper.

On April 14, 2016, the Parent Company filed a Manifestation with an attached Position Paper.

On August 2, 2016, the Parent Company received the Plaintiffs' Motion to Resolve, which seeks for the resolution of all pending incidents.

On August 11, 2016, the Parent Company filed a Comment dated August 10, 2016 to the Plaintiffs' Motion to Resolve. In the Comment, the Parent Company also moved for the resolution of all pending incidents including the Motion to Dismiss filed by the Parent Company, and reiterated the propriety of the dismissal of the instant case.

On August 12, 2016, the hearing on the Motion to Resolve proceeded wherein the Parent Company reiterated its Motion(s) to Dismiss, and moved for the resolution of all pending incidents in the instant case. The Trial Court then ordered that all of the pending incidents shall be resolved.

On February 28, 2017, the Defendants received the Resolution of the Trial Court wherein it denied the Defendants' Motion to Dismiss.

On March 6, 2017 the Defendants filed their Joint Motion for Reconsideration Ad Cautelam in relation to the Resolution.

On March 14, 2017, the Defendants received the Plaintiffs' Comment/Opposition to Joint Motion Reconsideration Ad Cautelam and/or Motion to Declare Defendants in Default dated 11 March 2017 ("Comment with Motion"). In the Comment with Motion, Plaintiffs alleged that the Defendants should have filed their Answer instead of the Joint Motion for Reconsideration Ad Cautelam after the denial of their Motions to Dismiss. Considering that the Defendants did not file their Answer, Plaintiffs moved to declare the Defendants in default.

On March 17, 2017, the Defendants filed and served in open court their Reply and/or Comment/Opposition Ad Cautelam ("Reply") to the Plaintiffs' Comment with Motion. In the Reply, the Defendants asserted that under the relevant provisions of the Rules of Court and jurisprudence, a motion for reconsideration is allowed to be filed after the denial of a motion to dismiss. Consequently, the filing of the Answer is deemed suspended while the Joint Motion for Reconsideration Ad Cautelam is pending for resolution.

Upon receipt of the Plaintiffs' Reply on April 3, 2017, the Defendants filed the Joint Rejoinder wherein they asserted that the Reply is a reiteration of the Plaintiffs' baseless argument that a motion for reconsideration is prohibited.

With the filing of the aforesaid pleadings, the Joint Motion and Plaintiffs' Motion to Declare Defendants in Default are submitted for resolution.

f. *Complaint for Damages filed by GATE (formerly STI-College Santiago, Inc.)*. Global Academy of Technology and Entrepreneurship, Inc. ("GATE") filed a complaint for Damages against STI ESG for its non-renewal of the Licensing Agreement despite the former's alleged compliance of the latter's audit recommendations. On the basis of such alleged invalid non-renewal of the Licensing Agreement, GATE seeks for (a) moral damages in the amount of ₱0.5 million, (b) exemplary damages in the amount of ₱0.5 million and (c) attorney's fees in the amount of 15% of the amount to be awarded and ₱3.0 thousand per court appearance.

On January 23, 2017, STI ESG filed its Motion to Dismiss Ad Cautelam. In the said Motion, STI ESG asserted that the dismissal of the case was warranted on the following grounds; (a) lack of jurisdiction over STI ESG due to improper service of Summons to a Human Relations Officer ("HR Officer"), and (b) failure to state a cause of action because GATE has no right for the renewal of the Licensing Agreement when (i) the same already expired and (ii) it clearly provides that it may be renewed by mutual agreement of the parties. The Motion to Dismiss Ad Cautelam was set for hearing on February 3, 2017.

On February 3, 2017, STI ESG received GATE's Comment /Opposition. In the said Comment/Opposition, GATE alleged that (a) the HR Officer was allegedly authorized by its in house counsel to receive the Summons, and (b) the decision of STI ESG not to renew the Licensing Agreement was not based on its mutual agreement provision but the violations of GATE. Consequently, such decision of STI ESG to cancel the Licensing Agreement was allegedly in bad faith.

Upon the filing of all the pleadings in relation to the Motion to Dismiss Ad Cautelam of STI ESG, the Trial Court issued its Resolution dated May 16, 2017, which denied the said Motion. The Trial Court also required STI ESG to file its Answer to the Complaint within the non-extendible fifteen (15) days from receipt of said Resolution on May 25, 2017 or until June 9, 2017.

On June 9, 2017, STI ESG filed its Answer to the Complaint. In the Answer, STI ESG reiterated its position that GATE has no cause of action against it because its decision not to renew the Licensing Agreement is in accordance with contractual stipulations therein that its renewal is upon mutual agreement of both parties. Considering the effectivity period of the Licensing Agreement expired on March 31, 2016 without being renewed by both parties, GATE cannot claim any damages for STI ESG's lawful exercise of its rights under the Licensing Agreement.

On June 19, 2017, the Trial Court issued its Order referring the parties to Court-Annexed Mediation on July 14, 2017.

Both parties have been attending the mediation hearings wherein GATE has already informed their proposal for the amicable settlement of the case. Considering that the recent mediation hearing was reset due to the unavailability of the mediator, STI ESG is given the opportunity to inform and/or provide its comment to such proposal on August 11, 2017.

g. *Criminal Case.* A complaint for qualified theft was filed by STI ESG against its former school accounting supervisor and acting school accountant ("former supervisor/accountant"). In the complaint, STI ESG alleged that said former supervisor/accountant manipulated the payroll registers of STI College Global City by including the name of a former faculty member of STI College Global City in the payroll registers and placing a corresponding salary and 13th month pay beside said faculty member's name. The salary of said former faculty member was deposited in a bank account belonging to the former supervisor/accountant. The total amount deposited to the bank account of the former supervisor/accountant through this scheme amounted to ₱0.2 million.

   The complaint for qualified theft was filed with Office of the City Prosecutor of Taguig City. Summons to the former supervisor/accountant was returned undelivered despite STI ESG providing additional addresses of the former supervisor/accountant where the summons could be served.

   After the former supervisor/accountant failed to appear on two preliminary investigations, the complaint was submitted for resolution.

   On September 8, 2016, STI ESG filed an Ex-Parte Motion for Early Resolution to resolve the case pointing out that more than sixteen (16) months has elapsed since the matter was submitted for resolution.

   As at report date, there is no resolution issued by the Office of the City Prosecutor of Taguig City.

h. Due to the nature of their business, STI ESG and STI WNU are involved in various legal proceedings, both as plaintiff and defendant, from time to time. The majority of outstanding litigation involves illegal dismissal cases under which faculty members have brought claims against STI ESG and STI WNU by reason of their faculty contract. Except as discussed in (d), (e), (f), (g), (h) and (i), STI ESG and STI WNU are not engaged in any legal or arbitration proceedings (either as plaintiff or defendant), including those which are pending or known to be contemplated and its BODs have no knowledge of any proceedings pending or threatened against STI ESG or its franchisees and STI WNU or any facts likely to give rise to any litigation, claims or proceedings which might materially affect its financial position or business. Management and its legal counsels believe that STI ESG and STI WNU have substantial legal and factual bases for its position and are of the opinion that losses arising from these legal actions and proceedings, if any, will not have a material adverse impact on the Group's consolidated financial position as well as in the results of its operations.

i. STI WNU are likewise contingently liable for lawsuits or claims filed by third parties, including labor-related cases, which are pending decision by the courts, the outcome of which are not presently determinable.

j. Other subsidiaries also stand as defendant of various lawsuits and claims filed by their former employees. The complainants are seeking payment of damages such as backwages and attorney's fees. As of date of the report, the cases are pending before the Labor Arbiter.

Management and their legal counsels believe that the outcome of these cases will not have a significant impact on the unaudited interim condensed consolidated financial statements.

Commitments

a. Financial Commitments

   STI ESG has ₱65.0 million domestic bills purchase lines from various local banks specifically for the purchase of local and regional clearing checks. Interest on drawdown from such facility is waived except when drawn against returned checks, to which the interest shall be the prevailing lending rate of such local bank. This facility is substantially on a clean basis except for a ₱5.0 million line which calls for the surety of a major shareholder.

   In December 2014, the Parent Company issued a Surety Agreement in favor of China Bank to secure STI WNU's ₱300.0 million long-term loan and ₱5.0 million credit line. As June 30, 2017 and March 31, 2017, STI WNU's long-term loan amounted to ₱209.0 million.

   STI Holdings signed as co-maker on the ₱200 million bridge financing loan of iACADEMY which is due on August 18, 2017. This bridge loan will be paid from the term loan being arranged with China Bank (see note 15).

b. Capital Commitments

   As at June 30, 2017, STI ESG has contractual commitments and obligations for the fit out works for a leased building which will be the new site of STI Malaybalay and the renovation works in STI Sta. Maria aggregating ₱69.0 million of which ₱29.7 million has been paid as at June 30, 2017.

   As at March 31, 2017, STI ESG has contractual commitments and obligations for the construction of classrooms and faculty rooms in STI Batangas and for the renovation works in STI Novaliches aggregating ₱38.8 million. Unpaid balances amounted to ₱12.0 million and ₱16.7 million as at June 30, 2017 and March 31, 2017, respectively.

   STI WNU likewise has contractual commitments and obligations for the construction of school buildings and upgrade of its facilities aggregating to ₱200.9 million as at June 30, 2017 and March 31, 2017. Unpaid balances amount to ₱1.2 million as at June 30, 2017 and March 31, 2017.

   iACADEMY has contractual commitments and obligations for the construction of its Yakal Campus totaling ₱906.7 million as at June 30, 2017. Of these, ₱341.3 million and ₱251.2 million has been paid as at June 30, 2017 and March 31, 2017, respectively.

c. Others

   The Group, as an educational institution, is subject to CHED Memorandum Order No. 13, Series of 1998, otherwise known as the "Guidelines on the Procedure to be Followed by Higher Education Institutions ("HEIs") Intending to Increase their Tuition Fees, Effective Beginning School Year 1998–1999," which states that 70.00% of the proceeds derived from the tuition fee increase for the current school year should be used for the payment of increase in salaries and wages, allowances and other benefits of its teaching and non-teaching personnel and other staff, except those who are principal stockholders of the HEIs.

22. **Fair Value Information of Financial Instruments**

The Group's financial instruments consist of cash and cash equivalents, receivables, advances to associates and joint ventures, accounts payable and other current liabilities, deposits, interest-bearing loans and borrowings, bonds payable, obligations under finance lease, nontrade payable and other noncurrent liabilities. The primary purpose of these financial instruments, except for nontrade payable, is to finance the Group's operations.

There are no material unrecognized financial assets and liabilities as at June 30, 2017 and March 31, 2017.

Due to the short-term nature of cash and cash equivalents, receivables, accounts payable and other current liabilities, nontrade payable, their carrying values reasonably approximate their fair values as at June 30, 2017.

AFS Financial Assets. The fair values of publicly-traded AFS financial assets are determined by reference to market bid quotes as at financial reporting date. AFS financial assets in unquoted equity securities for which no reliable basis for fair value measurement is available are carried at cost, net of impairment.

Interest-bearing Loans and Borrowings. The carrying value approximates its fair value because of recent and regular repricing based on market conditions.

Management believes that the fair values of deposits, bonds payable, obligations under finance lease and other noncurrent liabilities as of June 30, 2017 do not significantly differ from the fair values of these financial instruments as of March 31, 2017.

23. **Note to the Unaudited Interim Condensed Consolidated Statements of Cash Flows**

The Group's material non-cash investing and financing activities follow:

a. Acquisitions of property and equipment under finance lease recorded under the "Property and equipment" account in the unaudited interim condensed consolidated statements of financial position amounting to nil and ₱0.4 million as at June 30, 2017 and 2016, respectively.

b. Unpaid progress billing for construction in-progress amounting to ₱4.4 million and ₱25.8 million as at June 30, 2017 and 2016, respectively.

24. **Events after the Reporting Period**

a. On July 5, 2017, STI ESG executed a Deed of Absolute Sale with Abacus Global Technovisions, Inc. for the purchase of a parcel of land with an area of 2,873 square meters situated at Poblacion, City of Lipa, Province of Batangas for a total consideration of ₱86.2 million. On the same date, STI ESG executed Deeds of Absolute Sale with Asean Commodity Enterprises for the purchase of two parcels of lot aggregating to 349 square meters at Poblacion, City of Lipa, Province of Batangas for a total consideration of ₱10.5 million. This will be the site of the new STI Academic Center Lipa.

b. On July 6, 2017, the BOD of iACADEMY authorized iACADEMY to obtain a long-term loan amounting to ₱800.0 million for the construction of its new school building in Yakal, Makati City and the re-financing of the bridge loan from China Bank in the amount of ₱200.0 million. On the same date, the Parent Company's BOD authorized the Parent Company to act as surety for the purpose of securing the long-term loan, if so required by the lending bank. Also, the BOD of Neschester authorized Neschester to serve as the third-party mortgagor of its Yakal property for the purpose of securing the said iACADEMY loan. On August 1, 2017, the BOD of iACADEMY authorized management to mortgage the building, machineries, equipment and improvement on its Yakal Campus to secure and guarantee the payment of the ₱800 million long-term loan with China Bank.

c. On July 27 2017, the STI ESG BOD authorized its Vice Chairman and Chief Executive Officer to negotiate with Carret Private Investments Limited ("Carret"), a company incorporated under the laws of HongKong, from which STI ESG received a Letter of Intent, the terms and conditions of the sale of its 20% stake in Maestro Holdings. On the same date, Isla Lipana and Co. was engaged to conduct a Third Party Fairness Opinion Report.

d. On August 8, 2017, iACADEMY requested CHED for an extension of the validity of the GA to operate as a Transnational Education provider for the Master in Business Administration program in partnership with DePaul as the degree granting institution.

STI Education Systems Holdings, Inc.
Aging of receivables
As of June 30, 2017

Type of Accounts Receivable	Total	0-30 days	31-60 days	61-90 days	over 90 days
Current Receivables	1,547,759,038	1,283,174,020	7,205,287	63,752,330	193,627,401
	1,547,759,038	1,283,174,020	7,205,287	63,752,330	193,627,401

TYPE OF ACCOUNTS RECEIVABLE	NATURE/DESCRIPTION	COLLECTION PERIOD
Current Receivables	Tuition fees and other current receivables	Monthly

ANNEX "B"

STI EDUCATION SYSTEMS HOLDINGS, INC.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

STI Education Systems Holdings, Inc. ("STI Holdings" or "the Parent Company") was originally established in 1928 as a Philippine branch office of Theo H. Davies and Co., a Hawaiian corporation. It was reincorporated as a Philippine company in 1946 as part of the Jardine-Matheson group and was listed in the Philippine Stock Exchange on October 12, 1976. STI Holdings was then sold to Filipino investors in 2006. In March 2010, it became part of the Tanco Group of Companies. STI Holdings completed its follow-on offering of 2.9 billion shares in November 2012 comprising of primary and secondary issues. Today, it is a holding company with investments in three large educational institutions and is also the owner of two other companies: Attenborough Holdings Corporation ("AHC") which was a party to the various agreements with Philippine Women's University ("PWU") and Unlad Resources and Development Corporation ("Unlad"), and Neschester Corporation ("Neschester"). Its three subsidiaries involved in education are STI Education Services Group, Inc. ("STI ESG"), STI West Negros University Inc. ("STI WNU") and Information and Communications Technology Academy, Inc. ("iACADEMY").

- STI ESG was founded on August 21, 1983 to address the Information Technology ("IT") education needs of the Philippines. It evolved from its wholly-owned training centers to granting franchises to several locations in Metro Manila. In 1995, STI ESG was granted a permit by the Commission on Higher Education ("CHED") to operate colleges. It started to roll out the four-year college programs in 1996. From offering various degrees related to Computer Science, STI ESG showed its strength beyond IT by expanding the existing programs to bachelor's degrees in the fields of Business Administration, Computer Engineering, Secondary Education, Hotel and Restaurant Management, Tourism, Accounting Technology, and Communications. STI ESG is now also offering Senior High School ("SHS").

  STI ESG's network of schools totals to 76 schools with 38 owned schools and 38 franchised schools comprising of 64 colleges and 12 education centers.

  In recent years, STI ESG embarked on expansion and capital improvement projects as it encouraged schools to move from rented space into school-owned stand-alone campuses. Likewise, a number of franchised schools started their own facilities expansion programs. To date, STI ESG has 14 owned campuses with newly constructed/renovated buildings while 12 of the franchised schools constructed/renovated their own buildings and upgraded their facilities.

STI ESG has a total student capacity of 123,800 students, with 76,168 pertaining to owned schools and 47,632 for franchised schools.

- STI WNU was founded on February 14, 1948. The campus sits on a 3.1 hectare property in the heart of Bacolod City. STI WNU was granted its university status by CHED on June 10, 2008. STI Holdings acquired 99.5% ownership of the university on October 1, 2013. Since then, STI WNU's facilities have been undergoing continuous upgrade.

  The university offers primary, junior and senior high school, tertiary and post-graduate courses. Tertiary courses include Engineering, Education, Criminology, Business Administration, Hospitality and Tourism Management, Computer Science and Information Technology and Maritime Training Courses required by the Maritime Industry Authority ("MARINA") for officers and crew on board Philippine and/or foreign registered ships operating in Philippine and/or international waters. Post-graduate courses include Master's degrees in Business Administration, Public Administration, Nursing and Education, and Doctorate degrees in Public Administration and Educational Management.

  STI WNU's facilities can accommodate 12,000 students. The classrooms are available for its primary, secondary, tertiary and post-graduate students. There is also ample space for its Maritime Training Center.

- iACADEMY is the premier school in the Group that specializes in course offerings in animation, multimedia arts and design, fashion design and technology, software engineering and game programming and design. It also offers Senior High School. It started in 2002 as a wholly-owned subsidiary of STI ESG until its spin-off when it became a 100% owned subsidiary of STI Holdings in September 2016. The school is located at iACADEMY Plaza in Makati – the Central Business District of Metro Manila, with top-of-the-line multimedia arts laboratories and computer suites.

  In April 2016, CHED granted iACADEMY a Government Authority ("GA") to operate as a Transnational Education ("TNE") provider for the Master in Business Administration ("MBA") program in partnership with DePaul University, Chicago, Illinois, United States of America, as the degree granting institution.

  The GA is valid for three years from 2016 to 2018 and is subject to the rules and regulations pertaining to the organization, administration and supervision of private/public Higher Education Institutions in the Philippines. The GA is valid only in the iACADEMY Plaza campus.

  The MBA program has not been offered to date due to space constraints. The surge of senior high school students took the priority lane. iACADEMY has already requested CHED for the extension of the GA.

- Neschester is a real estate company whose major asset is a parcel of land in Makati City with an area of 2,332.5 sq. m. In August 2016, STI Holdings acquired 100% ownership of Neschester.

  On September 20, 2016, iACADEMY had its groundbreaking ceremony on this parcel of land, which will be the site of its Yakal campus housing the Senior High School students. Building construction is in full swing and the floors set to be utilized for the school will be completed in December 2017. Students will start using the facility in January 2018.

- AHC is a holding company which is a party to the Joint Venture Agreement and Shareholders' Agreement ("Agreements") among the Parent Company, PWU and Unlad. It granted advances amounting to ₱65.0 million to Unlad by virtue of these Agreements. AHC assigned these receivables to the Parent Company on March 1, 2016.

  On March 22, 2016, AHC became a party to an arrangement for the settlement of the loans and advances, which included the said receivables. As of March 31, 2016, the loans and advances arising from the Agreements have been fully settled.

THE K TO 12 PROGRAM

The education landscape in the Philippines has changed with the signing on May 15, 2013 of Republic Act ("RA") 10533, also known as the Enhanced Basic Education Act of 2013. The emphasis of RA 10533 is the introduction of the K to 12 program which in summary adds two (2) years prior to tertiary education. The K to 12 Program was implemented in the Philippines to ensure that our college graduates will be aligned with the global standards and consequently, become globally competitive, job-ready college graduates.

For schools in the Philippines that offer tertiary education similar to the schools operated by the Group, this will mean two (2) academic years from School Year ("SY") 2016-17 to SY 2017-18 with substantial reduction in incoming college freshmen students.

To ease the transition and to help prepare the incoming Grade 11 students in choosing the right track, the Department of Education ("DepEd") released Order No. 41, otherwise known as the Senior High School Guidance Program and Early Registration. This aims to guide Grade 10 students or Senior High entrants in coming up with informed decisions regarding their choice of track or specialization for the Early Registration held from October 19 up to November 13, 2015.

The Group collaborated with DepEd and conducted career guidance and orientation seminars for Grade 10 students in various public and private high schools nationwide. During the registration period, all Grade 10 students in all public and private high schools were encouraged to submit their choice of school and SHS track to their respective class advisers. The class advisers of Grade 10 in public schools were then tasked to register their students for

SHS and submit learners' preferences through the SHS registration module in the Learner Information System ("LIS") of DepEd.

In addition, aligned with DepEd's objectives to assist students with their decisions, STI ESG developed a tool called the Student's Career Opportunity and Personality Evaluator or SCOPE. It is a unique computerized program that would help Grade 10 students find the best career that fit their strengths, interests, and personality. With the assistance of a Guidance Counselor, incoming Senior High students would get a free comprehensive report in less than thirty (30) minutes that could lead them in making an important decision for their future.

The Group's intensive marketing efforts during the early registration period and its sustained marketing activities bore fruit with the total SHS enrollment reaching 39,206 and 57,634 students at the start of SY 2016-2017 and SY 2017-2018, respectively.

STI ESG is offering two program tracks, namely, the Academic and the Technical–Vocational-Livelihood tracks. Under the Technical-Vocational-Livelihood Track, STI ESG offers three strands with various specializations.

Academic Track

- Accountancy, Business and Management
- Humanities and Social Sciences
- Science, Technology, Engineering, and Mathematics
- General Academic Strand

Technical – Vocational-Livelihood Track

<u>Information and Communications Technology ("ICT") Strand</u>

Specializations:

- Computer Programming
- Animation
- Illustration
- Computer Systems Servicing
- Broadband Installation

<u>Home Economics Strand</u>

Specializations:

- Commercial Cooking
- Cookery
- Bartending
- Food and Beverage Services
- Local Guiding Services
- Travel Services
- Tourism Promotion Services
- Front Office Services
- Housekeeping

<u>Industrial Arts Strand</u>

Specialization:

- Electronic Products Assembly and Servicing

STI WNU, for its part, offers all tracks, namely:

Academic Track

- Accountancy, Business and Management
- Science and Technology, Engineering and Mathematics
- Humanities and Social Sciences
- General Academic Strand

Technical-Vocational Track

ICT Strand

Specializations:

- Computer Programming
- Computer Hardware Servicing
- Broadband Installation
- Contact Center Services

Home Economics Strand

Specializations:

- Bread and Pastry Production
- Cookery
- Food and Beverage Services
- Front Office Services
- Housekeeping
- Local Guiding Services
- Tourism Promotion Services
- Travel Services

Sports Track

Arts and Design Track

iACADEMY is offering three tracks:

Academic Track

- Accountancy, Business and Management
- Humanities and Social Sciences
- General Academic Strand

Technical-Vocational Track

ICT Strand

Specializations:

- Computer Programming
- Animation

Home Economics Strand

Specialization:

- Fashion Design

Arts & Design Track

- Media and Visual Arts

STUDENT POPULATION

The enrollment at the start of the SY of the schools under STI Holdings are as follows:

	SY 2017-2018	SY 2016-2017	Increase (Decrease)	
			Enrollees	Percentage
STI ESG				
Owned schools	54,366	52,687	1,679	3.2%
Franchised schools	42,165	43,592	(1,427)	(3.3)%
	96,531	96,279	252	0.3%
iACADEMY	1,728	1,375	353	26%
STI WNU	6,772	6,073	699	12%
Total Enrollees	**105,031**	**103,727**	**1,304**	**1%**

Grouping the students in terms of government regulatory agencies supervising the programs, wherein CHED pertains to students enrolled in tertiary and post-graduate programs, Technical Education and Skills Development Authority ("TESDA") students are those enrolled in technical-vocational programs while DepEd pertains to primary and secondary education including SHS, following are the numbers:

	SY 2017-2018			
	CHED	**TESDA**	**DEPED***	**TOTAL**
STI ESG	40,147	2,191	54,193	96,531
iACADEMY	783	-	945	1,728
STI WNU	3,336	-	3,436	6,772
Total	**44,266**	**2,191**	**58,574**	**105,031**
Proportion of CHED:TESDA:DepEd	**42%**	**2%**	**56%**	**100%**

	SY 2016-2017			
	CHED	**TESDA**	**DEPED***	**TOTAL**
STI ESG	53,016	5,692	37,571	96,279
iACADEMY	945	-	430	1,375
STI WNU	3,989	-	2,084	6,073
Total	**57,950**	**5,692**	**40,085**	**103,727**
Proportion of CHED:TESDA:DepEd	**56%**	**5%**	**39%**	**100%**

* *For STI ESG and iACADEMY, these represent the number of enrolled SHS students while for STI WNU, this is the total of 2,496 SHS students and the 940 students enrolled in basic education for SY 2017-2018 and 1,205 SHS students and the 879 students enrolled in basic education for SY 2016-2017.*

FINANCIAL REVIEW

This discussion summarizes the significant factors affecting the operating results and financial condition of STI Education Systems Holdings, Inc. and its subsidiaries (hereafter collectively referred to as the "Group") for the three months ended June 30, 2017 and 2016. The following discussion should be read in conjunction with the attached unaudited interim condensed consolidated financial statements of the Group as of and for the period ended June 30, 2017. All necessary adjustments have been made to present fairly the financial position, results of operations, and cash flows of the Group as of June 30, 2017, and for all the other periods presented.

I. RESULTS OF OPERATIONS

<u>Three months ended June 30, 2017 vs. three months ended June 30, 2016</u>

For the three months ended June 30, 2017, the Group generated gross revenues of ₱488.1 million, up by 17% or ₱72.2 million from same period last year of ₱415.9 million. Gross profit likewise increased by ₱19.1 million or 8% year-on-year.

The Group's operating income, that is, income before other income and expenses and income tax, increased slightly to ₱28.6 million for the three-month period ended June 30, 2017 from same period last year of ₱28.4 million.

Earnings before interest, taxes, depreciation and amortization or EBITDA, computed as net income excluding provision for income tax, depreciation and amortization, equity in net earnings (losses) of associates and joint ventures, interest expense and interest income, increased by ₱17.6 million to ₱157.5 million from last year's ₱139.9 million. EBITDA margin for the 3-month period, however, slightly decreased from 34% last year to 32% this year.

Net loss for the period amounted to ₱440.0 million as against same period last year's net income of ₱10.6 million. Although operating income increased by ₱0.2 million, net loss was generated as a higher amount representing the share in net losses of an associate was recognized for this 3-month period compared to same period last year (see further discussion on this topic below).

II. FINANCIAL CONDITION

The Group's total assets as at June 30, 2017 amounted to ₱15,335.9 million, 7% or ₱1,044.5 million higher than the balance as at March 31, 2017. This was largely due to the increase in receivables, mostly pertaining to receivables for tuition and other school fees. Cash balances also increased.

Cash and cash equivalents increased by 3% or ₱88.6 million as collections were received from students for tuition and other school fees.

Total receivables amounted to ₱1,547.8 million, up by ₱1,104.7 million from ₱443.1 million as of March 31, 2017, since the June 30, 2017 balance is composed mostly of amounts expected to be collected as payment for tuition and other school fees from students and from DepEd for the remaining months of the current school term. Students who qualified for the DepEd Voucher Program are entitled to the government subsidy in amounts ranging from ₱8,750 to ₱22,500 per student per year. Under the Voucher Program, DepEd pays directly the schools where these students enrolled.

Inventories increased by 27% or ₱33.1 million as the schools raised their inventory level of uniforms and textbooks for SY 2017-2018.

STI ESG reclassified its investments in Maestro Holdings, Inc. ("Maestro Holdings") amounting to ₱755.1 million as "Noncurrent Asset Held for Sale" as at June 30, 2017 and presented the same under the current assets portion of the Statements of Financial Position. "Investments in and advances to associates and joint ventures" consequently decreased by the same amount.

Deferred tax assets rose by 62% or ₱20.5 million due to taxes applicable to tuition and other school fees collected in advance. Following statutory regulations, tuition and other school fees collected in advance are taxed at the time of receipt.

Total current liabilities increased by ₱1,340.7 million to ₱2,806.2 million as at June 30, 2017 from ₱1,465.5 million as at March 31, 2017, mainly due to the ₱1,350.2 million increase in unearned tuition and other school fees arising from the increased enrollment in the current school term. Unearned revenues will be recognized as income over the remaining period of the related school term.

Total equity slightly decreased by 3% or ₱292.3 million.

III. TOP 5 KEY PERFORMANCE INDICATORS

The top five key performance indicators ("KPIs") of the Group include tests of profitability, liquidity and solvency. Profitability refers to the Group's earning capacity and ability to earn income for its stockholders. This is measured by profitability ratios analyzing margins and returns. Liquidity refers to the Group's ability to pay its short-term liabilities as and when they fall due. Solvency refers to the Group's ability to pay all its debts as and when they fall due, whether such liabilities are current or non-current.

		3 Months ended June 30		
		2017	**2016**	**Remarks**
EBITDA margin	Net income (loss) excluding provision for income tax, depreciation and amortization, equity in net earnings (losses) of associates and joint ventures, interest expense and interest income ("EBITDA") divided by total revenues	32%	34%	EBITDA margin declined in 2017 as compared to same period in 2016 mainly due to faster increase in direct expenses compared to increase in revenues
Gross profit margin	Gross profit divided by total revenues	56%	61%	Gross profit margin declined as direct costs increased at a faster rate compared to revenues
Return on equity	Net income (loss) attributable to equity holders of the Parent company (annualized) divided by average equity attributable to equity holders of the Parent company	(21%)	1%	Return on equity decreased in 2017 substantially due to the equity share in net losses of associates and joint ventures for the current period as compared to same period last year.

		3 Months ended June 30		
		2017	**2016**	**Remarks**
Debt service coverage ratio	EBITDA for the last twelve months divided by total principal and interest due for the next twelve months	1.37	4.23	Debt service coverage ratio for the periods presented has always been well above the minimum set by management and the lending bank. The bar is 1.05 of cash income (EBITDA) for every peso of loans and interest maturing within the next 12 months.
Debt-to-equity ratio	Total liabilities, net of unearned tuition and other school fees, divided by total equity	0.68	0.26	Debt-to-equity ratio increased due to the ₱3 billion fixed rate bonds issued by STI ESG in March 2017

IV. MATERIAL CHANGES IN BALANCE SHEET ACCOUNTS

Cash and cash equivalents increased by 3% or ₱88.6 million from ₱3,198.7 million to ₱3,287.3 million as at March 31, 2017 and June 30, 2017, respectively, as collections were received from students for tuition and other school fees.

Current receivables increased by ₱1,104.7 million or 249%. Receivables from students increased by ₱589.6 million, largely pertaining to tuition and other school fees. The receivables from students are expected to be collected over the remaining months of the related school term. Outstanding receivables from DepEd for the SHS qualified voucher recipients amounted to ₱535.6 million as at June 30, 2017, posting an increase of ₱484.5 million from the March 31, 2017 balance.

Inventories increased by 27% or ₱33.1 million. This is mainly attributed to the build-up of the inventory of uniforms and textbooks in preparation for expected sales for the SY 2017-2018. Most of the inventories are intended for sale to the SHS students.

Prepaid expenses and other current assets increased by 21% or ₱30.6 million. The increase is largely attributed to the ₱17.2 million increase in input VAT of iACADEMY and of STI ESG arising from construction activities in iACADEMY's Yakal campus and from the various schools' purchase of uniforms, respectively. Prepaid license increased by ₱7.3 million, largely relative to Microsoft license subscriptions which will be amortized over the school year. Insurance coverage on the buildings, including equipment and furniture, health coverage of employees and life and accident insurance of the students prepaid by the Group as at June 30, 2017 increased by ₱4.5 million. Most of these cover the period April 2017 to March 2018 or in line with the school calendar and are amortized over the remaining months of the respective contracts.

The noncurrent asset held for sale in the amount of ₱755.1 million represents the carrying value of STI ESG's 20% ownership in Maestro Holdings. This is the company that owns 100% of PhilPlans First, Inc. ("PhilPlans"), 99.89% of PhilhealthCare, Inc. and 70.6% of Philippine Life Financial Assurance Corporation. On June 27, 2017, STI ESG's Board of Directors approved the disposal of this 20% stake in Maestro Holdings. Final negotiations for the sale are now ongoing. As such, said investment account has been reclassified from noncurrent asset to current asset. Further, with the reclassification as noncurrent asset held for sale, STI ESG ceased the use of the equity method of accounting for the investment in Maestro Holdings as at June 27, 2017.

Property and equipment, net of accumulated depreciation, slightly increased by 1% or ₱74.0 million from the March 31, 2017 balance of ₱6,875.6 million to ₱6,949.6 million as of June 30, 2017. As at June 30, 2017, the construction in-progress account includes costs incurred for the fit out works on a leased building which is newly constructed. This will be the new site of STI Malaybalay. There are also renovation works in STI Sta. Maria. The related contract costs amounted to ₱69.0 million, inclusive of materials, cost of labor and overhead and all other costs necessary for the completion of the projects. The projects are expected to be completed by end of August 2017. Ongoing projects for the construction of classrooms and faculty rooms in STI Batangas, which were completed in July 2017 and the renovation works in STI Novaliches, which are expected to be completed by the end of August, likewise contributed to the increase. Equipment, furniture and fixtures were acquired for STI Sta. Maria and for the other schools, as well as for the head office. iACADEMY's construction costs for its Yakal campus amounted to ₱81.5 million for the three-month period.

STI ESG reclassified its investments in Maestro Holdings amounting to ₱755.1 million as "Noncurrent Asset Available for Sale" as at June 30, 2017 under the current assets portion of the Statements of Financial Position. "Investments in and advances to associates and joint ventures" consequently decreased by the same amount.

Deferred tax assets rose by 62% or ₱20.5 million due to taxes applicable to tuition and other school fees collected in advance. Following statutory regulations, tuition and other school fees which are collected in advance are subject to income tax upon receipt.

Pension assets decreased by ₱1.3 million as at June 30, 2017 compared to the March 31, 2017 balance, due to recognition of pension expense for the period, net of pension benefits directly paid to retired/separated employees.

Goodwill, intangible and other noncurrent assets increased by ₱1.0 million, mainly due to iACADEMY's ₱16.9 million marginal deposit on Letters of Credit in connection with its construction activities, partially offset by application of STI ESG's deposit for the purchase of the net assets of STI Sta. Maria.

On May 23, 2017, STI Sta. Maria entered into a Deed of Assignment with Halili Reyes Educational Institution, Inc. ("HREI") whereby HREI assigned, transferred and conveyed in a manner absolute and irrevocable, and free and clear of all liens and encumbrances, to STI Sta. Maria all its rights, title and interest in its school's assets and liabilities for a price of ₱20.0 million. The assignment of the net assets was effective April 1, 2017. Consequently, the ₱18.0 million initial deposits made which were previously recognized under "Other noncurrent assets," were applied and STI Sta. Maria paid the remaining balance of ₱2.0 million. The transaction resulted to a goodwill of ₱1.8 million.

As at June 30, 2017, STI ESG and iACADEMY registered outstanding short term loan balances of ₱530.0 million and ₱200.0 million, respectively. The short term loans were availed for working capital purposes and as bridge financing for the construction of iACADEMY's Yakal campus.

Unearned tuition and other school fees increased substantially by ₱1,350.2 million from ₱100.3 million as at March 31 to ₱1,450.5 million as at June 30, 2017. The unearned revenue will be recognized as income over the remaining months of the school term.

Income tax payable increased by 85% to ₱36.3 million as at June 30, 2017 from ₱19.6 million last March 31 reflecting the increase in taxable income as tuition fees collected in advance are taxable in full upon receipt.

Both current and noncurrent portions of obligations under finance lease declined by ₱0.9 million and ₱1.2 million, respectively, due to payments made during the period.

Pension liabilities slightly decreased by 5% or ₱2.2 million to ₱45.9 million as of June 30, 2017 due to payments made by STI WNU to employees who retired during the period.

Other comprehensive income associated with the noncurrent asset held for sale amounted to ₱98.3 million as of June 30, 2017. This represents STI ESG's cumulative share in Maestro Holdings' unrealized mark-to-market gain on available-for-sale financial assets, cumulative actuarial gain on pension liabilities and other equity reserve net of the non-controlling interests in STI ESG.

The Group's share in its associates' unrealized mark-to-market loss on their available-for-sale financial assets amounting to ₱48.7 million as at March 31, 2017 registered unrealized mark-to-market gain amounting to ₱1,179 as at June 30, 2017 due to improved market value of equities held by an associate less the share of the noncurrent asset held for sale.

Likewise, the Group's share in its associates' cumulative actuarial gain sharply declined from ₱0.7 million as at March 31, 2017 to ₱0.08 million as at June 30, 2017 upon reclassification of the share of the noncurrent asset held for sale.

Retained earnings decreased after recognition of the Group's equity share in the net losses of an associate as this associate recorded substantial increases in the required pre-need reserves (see further discussion below).

V. MATERIAL CHANGES IN INCOME STATEMENT ACCOUNTS

Total revenues reached ₱488.1 million during the three-month period ended June 30, 2017, an increase of ₱72.2 million from same period last year.

Tuition and other school fees for the period increased by ₱15.2 million or 5%. While there was only 1% increase in the total number of students of the Group from 103,727 last year to 105,031 students this year, the related increase in revenues is higher. This is due to the change in iACADEMY's school calendar such that its revenues for the period April to June 2017 is equivalent to three (3) months compared to previous year's revenues equivalent to only one (1) month.

Revenues from educational services and royalty fees both slightly increased by ₱4.0 million and by ₱0.3 million, respectively. Revenues from educational services are derived as a percentage of the tuition and other school fees actually collected by the franchised schools from their students and from DepEd.

Other revenues, which substantially are fees for the use of e-Learning Management System (eLMS), more than doubled to ₱16.3 million for the three-month period ended June 30, 2017 as compared to ₱7.3 million for the same period last year.

Sale of educational materials and supplies increased by 105% largely due to increased sale of textbooks.

Cost of educational services increased by 20% or ₱25.9 million from ₱130.7 million last year to ₱156.6 million for the same period this year, mainly due to costs associated with the operation of STI Sta. Maria which was consolidated this year with the costs of the Group. STI Sta. Maria was acquired April of 2017. In addition, instructors' salaries increased by 19% or ₱8.8 million attributed to the salaries of instructors who handled the remedial classes of SHS students in April and May 2017 and due to salary alignment of SHS teachers who passed the Licensure Examination for Teachers ("LET") and tertiary instructors who are Master's degree holders. The increase is also partly attributed to the amortization and software maintenance costs of the enrolment system which increased by ₱2.0 million and ₱0.8 million, respectively. Depreciation of newly constructed buildings likewise increased direct costs by ₱2.3 million.

Cost of educational materials and supplies sold increased by 84% concomitant with the increase in sale of textbooks.

General and administrative expenses slightly increased by 8% from ₱224.2 million last year to ₱243.2 million this year. Personnel costs increased by ₱9.3 million as plantilla positions were filled up and salary increases given to deserving employees. Costs of utilities as well as security and other outside services increased by ₱4.6 million and ₱3.6 million, respectively. Depreciation and amortization expenses rose by ₱2.6 million as depreciation was recorded for the newly-completed STI ESG buildings. Various other operating expenses likewise registered increases due to increased student population. Meanwhile, advertising and promotions costs declined by ₱5.5 million year-on-year. Some marketing activities for SHS were done by STI ESG in the second half of SY 2016-2017, unlike previously when such marketing costs were incurred in April-May for tertiary.

The Group's operating income, that is, income before other income and expenses and income tax, increased slightly to ₱28.6 million for the three-month period ended June 30, 2017 from same period last year of ₱28.4 million. The Group's first quarter results represent the revenues earned by STI ESG and STI WNU for the month of June only which is the start of school year of these two schools and the months of April and May and a few days in June for iACADEMY completing its third term. This is due to the seasonality of operations of educational institutions.

Equity in net losses of associates and joint ventures amounting to ₱446.2 million pertains largely to the share of STI ESG in the loss of PhilPlans arising from its full recognition of the mandated discount interest rate imposed by the Insurance Commission ("IC") on the reserves of pre-need companies. The IC is the government regulatory agency supervising pre-need companies. In November 2012, the IC issued Circular Letter 23-2012 relating to the Valuation of Transitory Pre-need Reserves. The IC mandated a gradual decrease in the discount interest rate to be used for valuing the reserves to provide regulatory leeway for the compliance to this circular. The old basket of plans previously approved by the SEC when the pre-need companies were under its supervision were using higher discount rate. The circular mandated that for the years 2012-2016, the discount interest rate shall be 8%; for 2017, 7.25%; for 2018, 6.5% and for 2019 onwards, 6%. In July 2017, PhilPlans opted to have an early adoption of the 6% discount interest rate starting January 2017. This means bigger allocation to pre-need reserves from its trust funds, thus recognizing a higher expense item.

Rental income increased by ₱7.9 million or 36% due to the substantial occupancy of the investment properties owned by STI ESG.

Interest expenses on loans increased by ₱48.9 million year-on-year mainly due to interest incurred on STI ESG's bond issue which was charged to expense, as there was no disbursement yet related to the programmed construction projects for the period April to June 30, 2017. Succeeding interest on the bonds will be recognized as part of the cost of the related capital expenditure based on accounting standards in the recognition of borrowing costs. Interest on STI WNU's loan was also charged to expense as construction projects were already completed.

Interest income rose by ₱7.0 million mainly due to interest earned from short-term placements of the proceeds of STI ESG's bonds.

Provision for income tax declined by ₱6.5 million as a result of the decline in taxable income for the period.

Total comprehensive loss of ₱292.3 million was recorded this year from last year's total comprehensive income of ₱137.0 million largely due to the Group's equity share in the net losses of associates and joint ventures.

VI. FINANCIAL RISK DISCLOSURE

The Group's present activities expose it to liquidity risk, credit risk, interest rate risk and capital risk.

Liquidity risk – Liquidity risk relates to the possibility that the Group might not be able to settle its obligations/commitments as they fall due. To cover its financing requirements, the Group uses internally-generated funds and avails of various bank loans. The Group regularly evaluates available financial products and monitors market conditions for opportunities to enhance yields at acceptable risk levels. Bank loans are judicially utilized to minimize financing cost. The debt service coverage ratio, as a bank requirement, is also monitored on a regular basis to keep it at a level acceptable to the Group and to the lender bank. The debt service coverage ratio is equivalent to EBITDA in the last twelve months divided by total principal and interest due in the next twelve months. The Group's policy is to keep the debt service coverage ratio not lower than 1.05:1.00.

As at June 30, 2017 and June 30, 2016, the Group's debt service coverage ratio is 1.37:1.00 and 4.23:1.00, respectively.

Credit risk – Credit risk is the risk that the Group will incur a loss arising from students, franchisees or counterparties that fail to discharge their contractual obligations. The Group manages and controls credit risk by setting limits on the amount of risk that the Group is willing to accept for individual counterparties and by monitoring expenses in relation to such limits.

It is the Group's policy to require students to pay all their tuition and other incidental fees before they can get their report cards and other credentials. Receivable balances are monitored such that exposure to bad debts is minimal.

Interest rate risk – Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. While the Group's long term debt has a floating interest rate, the Group elected to have the interest rate repriced every year, thus minimizing the exposure to market changes in interest rates. The interest rate for the STI ESG bonds is, however, fixed for the 7 year bonds and the 10 year bonds.

Capital risk – The Group's objectives when managing capital are to provide acceptable returns to stockholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group monitors capital using the debt-to-equity ratio, which is computed as the total of current and noncurrent liabilities less unearned tuition and other school fees, divided by total equity. The Group monitors its debt-to-equity ratio to keep it at a level acceptable to the companies in the Group and to the lender bank. The Group's policy is to keep the debt-to-equity ratio at a level not exceeding 1.50:1.00.

As at June 30, 2017 and June 30, 2016, the Group's debt-to-equity ratio is 0.68:1.00 and 0.26:1.00, respectively.

VII. AGREEMENTS/COMMITMENTS AND CONTINGENCIES/OTHER MATTERS

a. There are no changes in accounting estimates used in the preparation of unaudited interim condensed consolidated reports for the current and prior financial period.

b. Except as provided in Note 21 of the Notes to Unaudited Interim Condensed Consolidated Financial Statements attached as Annex "A," the Group has no other financial and capital commitments.

c. On June 3, 2013, STI ESG executed a deed of pledge on all of its shares in De Los Santos Medical Center (formerly De Los Santos General Hospital) in favor of Neptune Stroika Holdings, Inc., a wholly-owned subsidiary of Metro Pacific Investments Corporation ("MPIC"), to cover the indemnity obligations of STI ESG enumerated in its investment agreement entered into in 2013 with MPIC. The carrying value of the investment in De Los Medical Center amounted to ₱25.9 million as at June 30, 2017 and 2016.

d. On December 27, 2016, STI ESG, Abacus Global Technovisions, Inc., Vantage Realty Corporation, and Asean Commodity Enterprises, Inc., entered into a Memorandum of Agreement covering the purchase of certain parcels of land located in Poblacion, Lipa City, Batangas which will be the site of STI Lipa for a total price of ₱96.7 million.

   On July 5, 2017, STI ESG executed a Deed of Absolute Sale with Abacus Global Technovisions, Inc. for the purchase of a parcel of land with an area of 2,873 square meters situated at Poblacion, City of Lipa, Province of Batangas for a total consideration of ₱86.2 million. On the same date, STI ESG executed Deeds of Absolute Sale with Asean Commodity Enterprises for the purchase of two parcels of lot aggregating to 349 square meters at Poblacion, City of Lipa, Province of Batangas for a total consideration of ₱10.5 million. This will be the site of the new STI Academic Center Lipa.

VIII. MATERIAL EVENT/S AND UNCERTAINTIES KNOWN TO MANAGEMENT THAT WOULD ADDRESS THE PAST AND WOULD HAVE AN IMPACT ON FUTURE OPERATIONS

a. There are no material events and uncertainties known to management that would address the past and would have an impact on future operations of the Group.

b. There are no known trends, demands, commitments, events of uncertainties that will have an impact on the Group's liquidity except for the contingencies and commitments enumerated in Note 21 of the Notes to Unaudited Interim Condensed Consolidated Financial Statements attached as Annex "A".

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

d. The various loan agreements entered into by STI ESG, STI WNU and iACADEMY and the issuance of fixed rate bonds of STI ESG provide certain restrictions and conditions with respect to, among others, change in majority ownership and management and maintenance of financial ratios. STI ESG, STI WNU and iACADEMY are fully compliant with all the covenants of the respective agreements. See Notes 15 and 16 of the Notes to Unaudited Interim Condensed Consolidated Financial Statements of the Company attached as Annex "A" for a more detailed discussion. There are no other events that will trigger direct or contingent financial obligations that are material to the Group, including any default or acceleration of an obligation.

e. There are no known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations except for the contingencies and commitments enumerated in Note 21 of the Notes to Unaudited Interim Condensed Consolidated Financial Statements attached as Annex "A".

f. There are no significant elements of income or loss that did not arise from the Group's continuing operations.

g. The education landscape in the Philippines has changed with the introduction of the K to 12 program which in summary adds two (2) years prior to tertiary education. For the schools in the Philippines that offer tertiary education, similar to STI ESG, STI WNU and iACADEMY, this will mean two (2) academic years, that is, SY 2016-2017 and SY 2017-2018, with significantly reduced and minimal incoming college freshmen students.

   This threat has been constructively converted into an opportunity by the Group. All 76 schools of STI ESG have been granted permits to offer SHS. STI WNU and iACADEMY were also granted permits by the DepEd. For SY 2017-2018, the SHS students who enrolled in the schools of the Group totaled to 57,634. This number boosted Management's confidence that the schools comprising the Group will continuously meet the challenges of the K to 12 program.

h. The Group's business is linked to the academic cycle. The academic cycle, which is one academic year, starts in the month of June and ends in the month of March, except for iACADEMY where the academic year starts in July for the tertiary level and August for the SHS and with both levels ending in June of each year. The core business and revenues of the Group, which are mainly from tuition and other school fees, are recognized as income over the corresponding academic year to which they pertain. Accordingly, revenue is expected to be lower during the first quarter of its fiscal year as compared to the other quarters if the number of enrollees remains constant. This information is provided to allow for a proper appreciation of the results of operations of the Group.

Financial Highlights and Key Performance Indicators

(in millions except margins, financial ratios and earnings per share)	June 30, 2017 (Unaudited)	March 31, 2017 (Audited)	Increase (Decrease) Amount	%
Condensed Statements of Financial Position				
Total assets	15,335.9	14,291.4	1,044.5	7
Current assets	5,926.5	3,914.4	2,012.1	51
Cash and cash equivalents	3,287.3	3,198.7	88.6	3
Equity attributable to equity holders of the parent company	8,169.6	8,457.0	(287.4)	(3)
Total liabilities	7,076.8	5,740.0	1,336.8	23
Current liabilities	2,806.2	1,465.5	1,340.7	91
Financial ratios				
Debt-to-equity ratio (1)	0.68	0.66	0.02	3
Current ratio (2)	2.11	2.67	(0.56)	(21)
Asset to equity ratio (3)	1.86	1.67	0.19	11

	(Unaudited)			
	Three months ended June 30		Increase (Decrease)	
	2017	2016	Amount	%
Condensed Statements of Income				
Revenues	488.1	415.9	72.2	17
Direct costs (4)	216.3	163.2	53.1	33
Gross profit	271.8	252.7	19.1	8
Operating expenses	243.2	224.3	18.9	8
Operating profit	28.6	28.4	0.2	1
Other income (expenses)	(468.1)	(10.8)	(457.3)	(4234)
Income (loss) before income tax	(439.5)	17.6	(457.1)	(2597)
Net income (loss)	(440.0)	10.6	(450.6)	(4251)
EBITDA (5)	157.5	139.9	17.6	13
Net income (loss) attributable to equity holders of the parent company	(433.1)	12.5	(445.6)	(3565)
Earnings (loss) per share (6)	(0.044)	0.001	(0.045)	(4500)

Condensed Statements of Cash Flows

Net cash from operating activities	334.3	39.7	294.6	742
Net cash used in investing activities	(177.1)	(120.3)	(56.8)	(47)
Net cash provided by (used in) financing activities	(68.6)	88.3	(156.9)	(178)

Financial Soundness Indicators

	(Unaudited)			
	As of/three months ended June 30		Increase (Decrease)	
	2017	2016	Amount	%
Liquidity Ratios				
Current ratio (2)	2.11	1.07	1.04	97
Quick ratio (9)	1.72	0.97	0.75	77
Cash ratio (10)	1.17	0.33	0.84	255
Solvency ratios				
Debt-to-equity ratio (1)	0.68	0.26	0.42	162
Asset to equity ratio (3)	1.86	1.41	0.45	32
Debt service coverage ratio (11)	1.37	4.23	(2.86)	(68)
Interest coverage ratio(12)	(6.17)	2.42	(8.59)	(355)
Profitability ratios				
EBITDA margin (13)	32%	34%	(2)	(6)
Gross profit margin (7)	56%	61%	(5)	(8)
Net profit (loss) margin (14)	(90%)	3%	(93)	(3100)
Return on equity (annualized)(8)	(21%)	1%	(22)	(2200)

(1) *Debt-to-equity ratio is measured as total liabilities, net of unearned tuition and other schools fees, divided by total equity.*

(2) *Current ratio is measured as current assets divided by current liabilities.*

(3) *Asset to equity ratio is measured as total assets divided by total equity.*

(4) *Direct costs is calculated by adding the costs of educational services and educational materials and supplies sold.*

(5) *EBITDA is Net income (loss) excluding provision for income tax, depreciation and amortization, equity in net earnings (losses) of associates and joint ventures, interest expense and interest income.*

(6) *Earnings (loss) per share is measured as net income (loss) attributable to equity holders of the parent company divided by the weighted average number of outstanding common shares*

(7) Gross profit margin is measured as gross profit divided by total revenues.

(8) Return on equity is measured as net income (loss) [annualized] divided by average equity attributable to equity holders of the parent company.

(9) Quick ratio is measured as current assets less inventories, prepayments and noncurrent asset held for sale divided by current liabilities.

(10) Cash ratio is measured as cash and cash equivalents divided by current liabilities.

(11) Debt service coverage ratio is measured as EBITDA for the last twelve months divided by total principal and interest due for the next twelve months

(12) Interest coverage ratio is measured as net income (loss) before income tax and interest expense divided by interest expense

(13) EBITDA margin is measured as EBITDA divided by total revenues.

(14) Net (loss) profit margin is measured as net income (loss) after income tax divided by total revenues.