



STI Education Services Group, Inc.

**Shelf Registration of Fixed Rate Bonds
in the Aggregate Principal Amount of
up to PhP5,000,000,000
to be Offered in One or Several Tranches
within a period of three (3) years**

First Tranche:

PhP3,000,000,000

**Series 7Y: 5.8085% - 7 Year Bonds Due 23 March 2024
Series 10Y: 6.3756% - 10 Year Bonds Due 23 March 2027**

**To be Listed and Traded through
The Philippine Dealing & Exchange Corp.
Offer Price: 100% of Face Value**

Joint Issue Managers and Joint Lead Underwriters



THE SECURITIES AND EXCHANGE COMMISSION HAS NOT APPROVED THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS ACCURATE OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE AND SHOULD BE REPORTED IMMEDIATELY TO THE SECURITIES AND EXCHANGE COMMISSION.

This Prospectus is dated 10 March 2017.

STI Education Services Group, Inc.
STI Academic Center Ortigas-Cainta,
Ortigas Avenue Extension,
Cainta, Rizal
Philippines
Telephone number (+632) 812-1784
<http://www.sti.edu>

STI Education Services Group, Inc. ("STI ESG", the "Issuer", or the "Company") is offering fixed rate bonds (the "Bonds") in two (2) series, Series 7Y and Series 10Y, respectively, with an aggregate principal amount of up to PhP5,000,000,000.00, to be offered in one or several tranches. For the first tranche, the Issuer shall offer the Bonds of up to an aggregate principal amount of up to PhP3,000,000,000.00 (the "Offer"). Any remaining balance of the aggregate principal amount of the Bonds from the first tranche that is not fully exercised, shall be lodged under a shelf registration and will be raised in future tranches. For the first tranche, the Bonds shall be issued on the Issue Date. The Series 7Y Bonds shall have a term ending seven (7) years from the Issue Date, or on 23 March 2024, with a fixed interest rate of 5.8085% per annum. Interest on the Series 7Y Bonds shall be payable quarterly in arrears on March 23, June 23, September 23, and December 23 of each year while the Bonds are outstanding, or the subsequent Banking Day without adjustment if such Interest Payment Date is not a Banking Day. The Series 10Y Bonds, on the other hand, shall have a term ending ten (10) years from the Issue Date, or on 23 March 2027, with a fixed interest rate of 6.3756% per annum. Interest on the Series 10Y Bonds shall be payable quarterly in arrears March 23, June 23, September 23, and December 23 of each year while the Bonds are outstanding, or the subsequent Banking Day without adjustment if such Interest Payment Date is not a Banking Day. The last Interest Payment Date shall fall on the relevant Maturity Date while the Bonds are outstanding (see "Description of the Bonds" – "Interest" on page 58 of this Prospectus).

The Bonds shall be repaid at par (or 100% of face value) on the Maturity Date, unless the Company exercises its early redemption option according to the conditions therefore (see "Description of the Bonds" – "Redemption and Purchase" on page 59 of this Prospectus).

Upon issuance, the Bonds shall constitute direct, unconditional, unsecured, and unsubordinated Peso denominated obligations of the Issuer and shall rank *pari passu* and ratably without any preference or priority amongst themselves and at least *pari passu* in priority of payment with all other present and future unsecured and unsubordinated obligations of the Issuer, other than (i) obligations preferred by the law (other than any preference or priority under Article 2244, paragraph 14(a) of the Civil Code of the Philippines), (ii) any obligation incurred by the Issuer pursuant to Section 7.02(a) of the Trust Agreement or as may be allowed by the Trust Agreement, and (iii) other Indebtedness or obligations disclosed by the Issuer to the Trustee as of Issue Date. The Bonds shall effectively be subordinated in right of payment to, among others, all of STI ESG's secured debts to the extent of the value of the assets securing such debt (see "Description of the Bonds" – "Ranking" on page 58 of this Prospectus).

The Bonds have been rated PRS Aa on 23 January 2017. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organization.

The Bonds are offered to the public at face value through the Joint Issue Managers and Joint Lead Underwriters with the Philippine Depository & Trust Corp. (PDTC) as the Registrar of the Bonds. The Bonds shall be issued in minimum denominations of PhP50,000 each, and in integral multiples of PhP10,000 thereafter. The Bonds shall be traded in denominations of PhP10,000 in the secondary market.

STI ESG intends to cause the listing of the Bonds on a securities exchange licensed with the SEC and has initiated discussions with the Philippine Dealing & Exchange Corp. ("PDEX") for this purpose. However, there can be no assurance that such a listing will actually be achieved either before or after the Issue Date or whether such a listing will materially affect the liquidity of the Bonds on the secondary market. Such listing would be subject to the Company's execution of a listing agreement with PDEX that may

require the Company to make certain disclosures, undertakings and payments on an ongoing basis. The target listing date is on 23 March 2017.

STI ESG expects to raise gross proceeds of PhP3,000,000,000.00 from the first tranche. The net proceeds from the issue is estimated to be PhP2,952,652,625.00 for a PhP3,000,000,000 Issue Size. Proceeds of the Offer shall be used to finance the Company's campus expansion projects, refinancing of short-term loans incurred for the acquisition of land, and for other general corporate requirements, which are discussed further in the section entitled "Use of Proceeds" on page 46 of this Prospectus. The Joint Lead Underwriters shall receive an underwriting fee of forty (40) bps on the final aggregate nominal principal amount of the Bonds issued.

On 10 January 2017, STI ESG filed a Registration Statement with the Securities and Exchange Commission ("SEC"), in connection with the Offer and the Bonds. The SEC is expected to issue an order rendering the Registration Statement effective, and a corresponding permit to offer securities for sale covering the Offer.

STI ESG confirms that this Prospectus contains all material information relating to the Company, its affiliates, and subsidiaries, as well as all material information on the issue and offering of the Bonds, as may be required by the applicable laws of the Republic of the Philippines. No facts have been omitted that would make any statement in this Prospectus misleading in any material respect. STI ESG confirms that it has made all reasonable inquiries with respect to any information, data and analysis provided to it by its advisors and consultants or which is otherwise publicly available for inclusion into this Prospectus. The Joint Issue Managers and the Joint Lead Underwriters assume no liability for any information supplied herein by STI ESG. Accordingly, STI ESG accepts responsibility.

The prices of securities can and do fluctuate. Any individual security may experience upward or downward movements, and may lose all or part of its value over time. The future performance of a security may defy the trends of its past performance, and there may be a significant difference between the buying price and the selling price of any security. As such, there is an inherent risk that losses may be incurred, rather than profit made, as a result of buying and selling securities. Thus, an investment in the Bonds described in this Prospectus involves a certain degree of risk.

In deciding whether to invest in the Bonds, a prospective purchaser of the Bonds ("Prospective Bondholder") should, therefore, carefully consider all the information contained in this Prospectus, including but not limited to, several factors inherent to the Company, which includes significant competition, exposure to risks relating to the performance of the economies of other countries, and other risks relating to customer default (detailed in "Risk Factors and Other Considerations" section on page 33 of this Prospectus), and those risks relevant to the Philippines vis-à-vis risks inherent to the Bonds.

Neither the delivery of this Prospectus nor any sale made pursuant to the Offer shall, under any circumstances, constitute a representation or create any implication that the information contained or referred to in this Prospectus is accurate, complete or correct as of any time subsequent to the date hereof or that there has been no change in the affairs of the Company since the date of this Prospectus.

The contents of this Prospectus are not to be considered as definitive legal, business, or tax advice. Each Prospective Bondholder receiving a copy of this Prospectus acknowledges that he has not relied on the Joint Issue Managers and the Joint Lead Underwriters, or any person affiliated with the each of them, in his investigation of the accuracy of any information found in this Prospectus or in his investment decision. Prospective Bondholders should consult their own counsel, accountants, or other advisors as to legal, tax, business, financial, and related aspects of the purchase of the Bonds, among others. It bears emphasis that investing in the Bonds involves certain risks. It is best to refer again to the section on "Risk Factors and Other Considerations" on page 33 of this Prospectus for a discussion of certain considerations with respect to an investment in the Bonds.

No person nor group of persons has been authorized by STI ESG, the Joint Issue Managers and the Joint Lead Underwriters to give any information or to make any representation concerning STI ESG or the

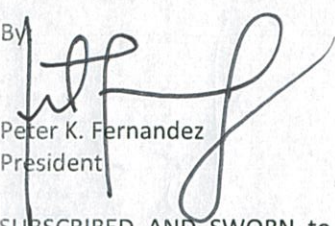
representation should not be relied upon as having been authorized by STI ESG or the Joint Issue Manager, the Joint Lead Underwriters.

STI ESG is organized under the laws of the Philippines. Its principal offices is at the STI Academic Center Ortigas-Cainta, Ortigas Avenue Extension, Cainta, Rizal, with telephone number (+632) 812-1784.

ALL REGISTRATION REQUIREMENTS HAVE BEEN MET AND ALL INFORMATION CONTAINED THEREIN IS TRUE AND CURRENT.

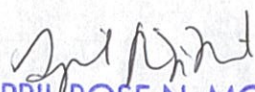
STI EDUCATION SERVICES GROUP, INC.

By


Peter K. Fernandez
President

SUBSCRIBED AND SWORN to before me this MAR 10 2017 in MAKATI CITY City, affiant exhibiting to me his Passport No. EC6402263 expiring on January 13, 2021 as competent evidence of identity. *at DFA Manila*

Doc No. 157
Page No. 33
Book No. II
Series of 2017.


APRIL ROSE N. MORATO
Notary Public

Appointment No. M-310
Notary Public for Makati City
Until 31 December 2017
5/F SGV II BLDG., 6758 AYALA AVENUE
MAKATI CITY
ROLL OF ATTORNEYS NO. 63222
PTR. No. 5928769 / Makati / January 2017
IBP LM No. 012833 / Makati / Lifetime Member
NBI No. M630DARE78-MA13263716
MCLE Compliance No. V-0009015

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Forward Looking Statements

This Prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties and should not in any way be confused or considered as statements of historical fact. Some of these statements can be identified by “forward looking terms,” such as “anticipate,” “believe,” “can,” “could,” “estimate,” “expect,” “intend,” “may,” “plan,” “should,” “will,” and “would” or other similar words. These words, however, are not the exclusive means of identifying forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- Known and unknown risks;
- Uncertainties and other factors which may cause the Company’s actual results, performance or achievements to deviate significantly from any future results;
- Performance or achievements expressed or implied by forward-looking statements;
- The Company’s overall future business, financial condition, and results of operations, including, but not limited to, its financial position or cash flow;
- The Company’s goals for or estimates of its future operational performance or results;
- The Company’s dividend policy; and
- Changes in the Company’s regulatory environment including but not limited to, policies, decisions and determinations of governmental or regulatory authorities.

Such forward-looking statements are based on numerous assumptions regarding the Company’s present and future business strategies and the environment in which the Company will operate in the future. Important factors that could cause some or all of the assumptions not to occur or cause actual results, performance or achievements to differ materially from those in the forward-looking statements include, among other things:

- the Company’s ability to successfully implement its strategy;
- the Company’s ability to anticipate and respond to consumer trends;
- the Company’s ability to successfully manage aggressive growth;
- the Company’s ability to maintain its reputation for on-time project completion;
- the condition and changes in the Philippine, Asian or global economies;
- general political, social and economic conditions in the Philippines;
- changes in interest rates, inflation rates and the value of the peso against the U.S. dollar and other currencies;
- changes in government regulations, including tax laws, or licensing in the Philippines; and competition in the property investment and development industries in the Philippines; and
- changes in the amount of remittances received from overseas Filipino workers (“OFWs”).

Additional factors that could cause the Company’s actual results, performance or achievements to differ materially from those in the forward-looking statements include, but are not limited to, those

disclosed under "Risk Factors." These forward-looking statements speak only as of the date of this Prospectus. The Company, the Joint Issue Managers and the Joint Lead Underwriters, and expressly disclaim any obligation or undertaking to release, publicly or otherwise, any updates or revisions to any forward-looking statement contained herein to reflect any change in the Company's expectations with regard thereto or any change in events, conditions, assumptions or circumstances on which any statement is based. In the light of all the risks, uncertainties and assumptions associated with forward-looking statements, investors should be aware that the forward-looking events and circumstances discussed in this Prospectus might not occur in the way the Company expects or even at all. Investors should not place undue reliance on any such forward-looking information.

Definition of Terms

“Applicant”	means a person who wishes to purchase the Bonds and has submitted a duly executed Application to Purchase which the Company has accepted.
“Associate Degree,” “Technical Course,” and/or “Vocational Course”	means any college program which is scheduled to be completed in two or three years.
“Baccalaureate Degree”	means any college program which is scheduled to be completed in four or five years.
“Banking Day”	means a day, other than Saturday, Sunday, or legal holiday, on which the facilities of the Philippine banking system are open and available for clearing, and banks are open for business in Makati City and Cainta, Rizal, Philippines.
“BIR”	means the Bureau of Internal Revenue.
“Basis Point” or “bps”	means a unit of measurement for interest rates, as used herein 1 bps is equivalent to 1/100 th of 1%, or 0.01%.
“Board”	means the Board of Directors of the Company, unless context clearly provides otherwise.
“Bondholder”	means the holders of the Bonds who, at any relevant time, appear in the Register of Bondholders as the registered owner of the Bonds, with each holder being a “Bondholder.”
“Bonds”	means the retail bonds that the Issuer intends to offer for distribution and sale to the general public and issue to Eligible Bondholders on the Issue Date, in two (2) series, Series 7Y and Series 10Y, respectively, with an aggregate principal amount of up to PHILIPPINE PESOS: FIVE BILLION (PhP5,000,000,000.00), to be issued in one or several tranches, with an initial tranche of up to an aggregate principal amount of PHILIPPINE PESOS: THREE BILLION (PhP3,000,000,000.00); with any remaining balance of the aggregate amount to be lodged under a shelf registration program and be issued in future tranches.
“BSP”	means the Bangko Sentral ng Pilipinas, the central banking authority of the Republic of the Philippines.
“Business Day”	means a day, other than Saturday, Sunday or legal holiday, on which the facilities of the Philippine banking system are open and available for clearing, and banks are generally open for business in Makati City and Cainta, Rizal, Philippines.
“Civil Code”	means the Republic Act No. 386, otherwise known as the Civil Code of the Philippines, as amended and may be amended from time to time, including the rules and regulations issued thereunder.
“Common Shares”	means the common shares of the Company.
“Constitution”	means the 1987 Constitution of the Philippines.

“Control”	means the possession, directly, or indirectly, by a Person of the power to direct or cause the direction of the management and policies of another Person whether through the ownership of voting securities or otherwise; provided, however, that the direct or indirect ownership of over fifty percent (50.0%) of the voting capital stock, registered capital or other equity interest of a Person is deemed to constitute control of that Person, and “Controlling” and “Controlled” have corresponding meanings.
“Corporation Code”	means Batas Pambansa Blg. 68, otherwise known as the Corporation Code of the Philippines, as may be amended from time to time, and including the rules and regulations issued thereunder.
“Courseware Material”	means the educational materials used in all STI campuses across all its programs and which usually contain the syllabus and course outline, instructor’s guide, presentation slides, handouts, laboratory exercises, periodical examinations, quizzes, seatworks, assignments, activity, and answer keys.
“Debt-to-Equity Ratio”	means as of the relevant date of determination, (a) the Issuer’s total Debt, divided by (b) total Equity, each as reflected in the Issuer’s audited or unaudited, as the case may be, consolidated financial statements as of the last day of the immediately preceding quarter; provided, that for purposes of computing the Debt-to-Equity Ratio, the Issuer’s total Indebtedness means, without duplication all short-term and long-term interest-bearing obligations of the Issuer, direct or contingent, for borrowed money including, for avoidance of doubt, the Issuer’s obligations arising from the issuance of any class or series of capital stock that by its terms or otherwise is (a) required to be redeemed, or (b) redeemable at the option of the holder of such class or series of capital stock, but excluding unearned tuition and other school fees.
“Debt Service Coverage Ratio”	means the (a) the Issuer’s EBITDA utilizing the Issuer’s audited or unaudited, as the case may be, consolidated financial statements for the immediately preceding twelve (12) months, divided by (b) the aggregate amount of all Indebtedness, interest, and other financial charges in respect of borrowed money payable by the Issuer for the year when the determination is made; with reference to the immediately preceding twelve (12) months; provided, that for purposes of computing the Debt Service Coverage Ratio, the Issuer’s aggregate amount of Indebtedness means, without duplication, all short-term and long-term interest-bearing obligations of the Issuer, direct or contingent, for borrowed money, including, for avoidance of doubt, the Issuer’s obligations arising from the issuance of any class or series of capital stock that by its terms or otherwise is (a) required to be redeemed, or (b) redeemable at the option of the holder of such class or series of capital stock.
“DENR”	means the Department of Environment and Natural Resources of the Republic of the Philippines.
“DepEd”	means the Department of Education of the Republic of the Philippines.
“EBITDA”	means the net income based on the consolidated financial statements for the immediately preceding twelve (12) months of the Issuer for that relevant period after adding back (a) depreciation and amortization, (b) interest and other financial expenses, (c) income tax, and (d) taxes other than income tax and value-added tax, each item determined in accordance with PFRS.
“eLearning Management System” or “eLMS”	means a software application running on Amazon Cloud that helps manage the delivery of educational courses and/or training programs of the students.

“Government”	means the government of the Republic of the Philippines.
“Government Authority”	means the Republic of the Philippines, or any political subdivision or agency thereof, and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to the said government, and any national agency or body vested with jurisdiction or authority over any Person.
“Group”	means STI Education Services Group, Inc. and its Subsidiaries and Affiliates.
“HEI”	means higher educational insitutions that are administered and regulated by the Commission on Higher Education.
“IACADEMY”	means Information and Communications Technology Academy, Inc.
“Indebtedness”	means: <ul style="list-style-type: none"> (1) All indebtedness or other obligations of the Issuer for borrowed money or for the deferred purchase price of property or services and similar arrangements; (2) All indebtedness or other obligations of any other Person, the payment or collection of which is guaranteed by the Issuer (except by reason of endorsement for collection in the ordinary course of business) or in respect of which the Issuer is liable, contingently or otherwise, including without limitation, any agreement to purchase, to provide funds for payment, to supply funds to or otherwise invest in such Person; and (3) Capitalized lease obligations of the Issuer.
“Interest Payment Date”	has the meaning given to the term in 58.
“issuer”, “STI ESG” and/or “Company”	means STI Education Services Group, Inc.
“Joint Issue Manager” and/or “Joint Lead Underwriters”	means China Bank Capital Corporation and/or First Metro Investment Corporation.
“Learning Delivery System”	means the standardized development of tertiary level courseware and curriculum, faculty training, and faculty certification that was granted an ISO 9001:2008 certification, and which is the Company’s way of ensuring that all students are able to receive the same quality of world-class learning wherever they are in the Philippines.
“Lien”	means, with respect to any Person, any lien, pledge, mortgage, charge, hypothecation, encumbrance or other security or preferential arrangement, with similar effect, on or with respect to any asset or revenue of such Person.
“Local Government Code”	means Republic Act No. 7160, otherwise known as the Local Government Code, as may be amended from time to time, and including the rules and regulations issued thereunder.

“Majority Bondholders”	means, at any time, the Bondholders who hold, represent or account for at least fifty percent (50%) plus one peso (PhP1) of the aggregate outstanding principal amount of the Bonds.
“Material Adverse Effect”	means, in relation to the Issuer, a material and adverse effect on (a) the business, operations, property, condition (financial or otherwise), or prospects of the Issuer and its Subsidiaries taken as a whole, or (b) the ability of the Issuer to perform its obligations under the Trust Agreement or under any other instrument or agreement required thereunder, or (c) the legality, validity or enforceability of the Trust Agreement or the rights, power and remedies of the Bondholder under the Trust Agreement.
“Offer”	means as the context may require, shall mean the first tranche of the Bonds or the offering, issuance, distribution and sale of the first tranche of the Bonds.
“Offer Period”	means the period commencing at 9:00 a.m. on 13 March 2017 and ending at 12:00 noon, Manila time, on 17 March 2017 unless extended by agreement between the Company, the Joint Issue Managers, and Joint Lead Underwriters.
“Offer Price”	means the amount that is equivalent to 100% of the Bonds’ Face Value.
“Outcome-Based Education”	means an educational theory being applied in STI ESG campuses that bases each part of an educational system around goals or outcomes.
“PDEX”	means the Philippine Dealing & Exchange Corp.
“PDTC”	means the Philippine Depository & Trust Corporation (formerly Philippine Central Depository, Inc.).
“Permitted Liens”	means any of the following: <ul style="list-style-type: none"> (i) Liens created pursuant to any Indebtedness disclosed to the Trustee in writing prior to the date of the Trust Agreement; (ii) Liens for taxes, assessments or governmental charges or levies not yet delinquent or which are being contested in good faith and in appropriate proceedings; (iii) other Liens incidental to the ordinary conduct of the business of the Issuer or the Subsidiary, as the case may be, on the ownership of the properties and assets of the Issuer or the Subsidiary (such as trust receipts, purchases of properties on installment basis and other similar commercial arrangements), as the case may be; provided, that: (1) such Liens are not incurred or granted in connection with incurring or maintaining indebtedness or other obligations for borrowed money of any Person; and (2) such Liens do not, individually or in the aggregate, materially detract from the value of such properties or assets or materially impair the use thereof in the operation of the business of the Issuer or the Subsidiary, as the case may be, or materially interfere with the sale or other disposition of such properties or assets, provided further that if the terms of the Liens are consistent with customary commercial and lending practices, such Liens shall not be deemed to materially detract from the value of such properties or assets; (iv) Liens arising by operation of law (other than any preference or priority under Article 2244, paragraph 14(a) of the Civil Code of the Philippines) on any property or asset of the Issuer, including, without limitation, amounts owing to a landlord, carrier, warehouseman, mechanic or materialman;

- (v) Liens incurred or deposits made in the ordinary course of business to secure (or obtain letters of credit that secure) the performance of tenders, statutory obligations or regulatory requirements, performance or return of money bonds, surety or appeal bonds, bonds for release of attachment, stay of execution or injunction, bids, tenders, leases, government contracts, and similar obligations and deposits for the payment of the rent;
- (vi) Liens created by or resulting from any litigation or legal proceedings which is effectively stayed while the underlying claims are being contested in good faith by the relevant Issuer or Subsidiary in proceedings and with respect to which the relevant Issuer or Subsidiary has established adequate reserves on its own books in accordance with Philippine Accounting Standards or PFRS;
- (vii) Rights of set-off arising in the ordinary course of business between the Issuer or any of its Subsidiaries, and its suppliers, clients, or customers; and
- (viii) Liens created with the prior written consent of the Majority Bondholders.

“Person” means an Individual corporation, partnership, joint venture, unincorporated association, trust or other juridical entity, or any Government Authority.

“Pesos” or “PhP” means Philippine Pesos.

“Philippines” means the Republic of the Philippines.

“PhilRatings” means the Philippine Rating Services Corporation.

“Pricing Date” means One (1) Business Day before the start of the Offer Period, or such other date the Joint Issue Managers, the Joint Lead Underwriters, and the Issuer mutually agree.

“Prospectus” means the Preliminary Prospectus dated 10 January 2017 together with all its annexes and attachments.

“RA” means Republic Act.

“Register of Bondholders” means the electronic register which shows the legal title to the Bonds, maintained by the Registrar, pursuant to and under the terms of the Registry and Paying Agency Agreement.

“Registrar and Paying Agent” means the Philippine Depository & Trust Corporation.

“Registry and Paying Agency Agreement” means the Agreement dated 10 March 2017 entered into between the Company and the Registrar and Paying Agent in relation to the Bonds.

“Registry Book” means the electronic record of the issuances, sales and transfers of the Bonds to be maintained by the Registrar, pursuant to and under the terms of the Registry and Paying Agency Agreement.

“SEC” means the Securities and Exchange Commission of the Philippines.

“Secondary Program” means any of the programs being taught in the secondary education level, such as junior and senior high schools.

“Series 7Y Bonds” means the Bonds maturing on 23 March 2024.

“Series 10Y Bonds”	means the Bonds maturing on 23 March 2027.
“SRC”	means Republic Act No. 8799, otherwise known as the Securities Regulation Code of the Philippines, as amended and may be amended from time to time, including the rules and regulations issued thereunder.
“Shares”	means the shares of the Company representing its authorized capital stock.
“Shareholders” or “Stockholders”	means the holders of the Shares.
“School-Owned Stand-Alone Campus”	means campuses which are not located on rented commercial complexes and are constructed with state-of-the-art facilities, such as industry-grade simulation laboratories, spacious air-conditioned classrooms, and recreational facilities conducive for high academic delivery.
“STI-Branded Colleges”	means campuses offering Secondary and Tertiary Programs that bear the STI name.
“STI-Branded Education Centers”	means campuses offering Secondary Programs and Associate Degree programs that bear the STI name.
“Subsidiary” or “Subsidiaries”	means in respect of any Person, any entity: (i) over fifty percent (50%) of whose capital is owned directly by that Person; or (ii) for which that Person may nominate or appoint a majority of the members of the board of directors or such other body performing similar functions.
“Tanco Group”	Eusebio H. Tanco, Rosie L. Tanco, Prudent Resources, Inc., Biolim Holdings and Management Corp., Eujo Phils., Inc., and Tantivy Holdings, Inc.
“Tax Code”	means Presidential Decree No. 1158, otherwise known as the National Internal Revenue Code, as amended and may be further amended from time to time, including the rules and regulations issued thereunder.
“Tertiary Program”	means any of the programs being taught in the tertiary education level, which takes place after the secondary education and may refer to two- to five-year college programs.
“Trading Day”	means a day when the PDEX is open for business.
“Transaction Documents”	means the Trust Agreement, the Underwriting Agreement, the Registry and Paying Agency Agreement, and any amendments thereto.
“Trust Agreement”	means the Trust Agreement dated 10 March 2017 entered into between the Company and the Trustee in relation to the Bonds.
“Trustee”	means China Banking Corporation – Trust Group.
“Underwriters”	means the Joint Lead Underwriters.
“Underwriting Agreement”	means the Underwriting Agreement dated 10 March 2017 entered into between the Company and the Joint Lead Underwriters in relation to the Bonds.

Executive Summary

The following summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information and audited financial statements, including notes thereto, found in the appendices of this Prospectus. Prospective investors should read this entire Prospectus fully and carefully, including the section on “Risk Factors.”

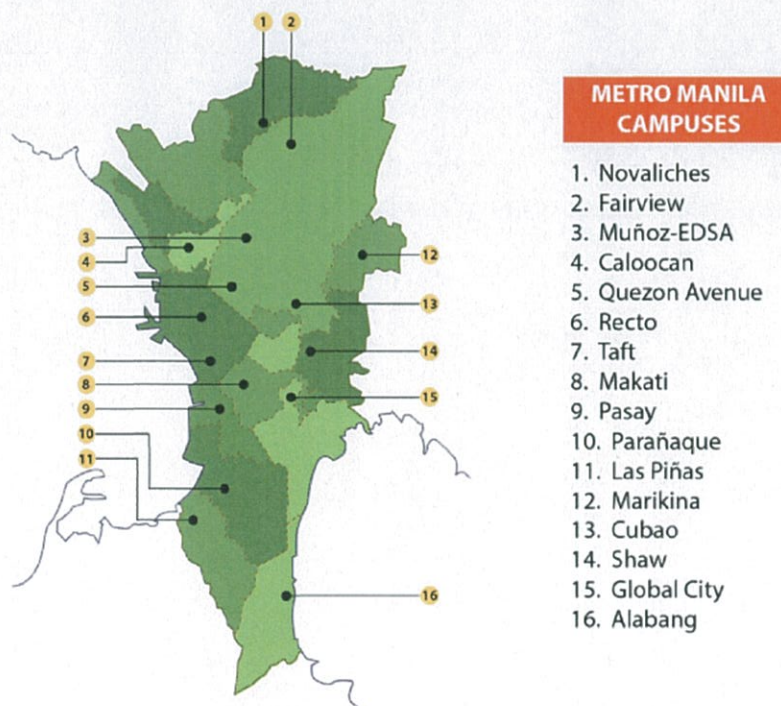
Brief Background of the Company

The Issuer, STI Education Services Group, Inc. (“STI ESG”), is the largest subsidiary of STI Holdings, a publicly-listed company. The Company is engaged in establishing, maintaining, and operating educational institutions. It derives its main revenues from the tuition and other school fees of its owned schools, and from the royalties and other fees for various educational services of its franchised schools.

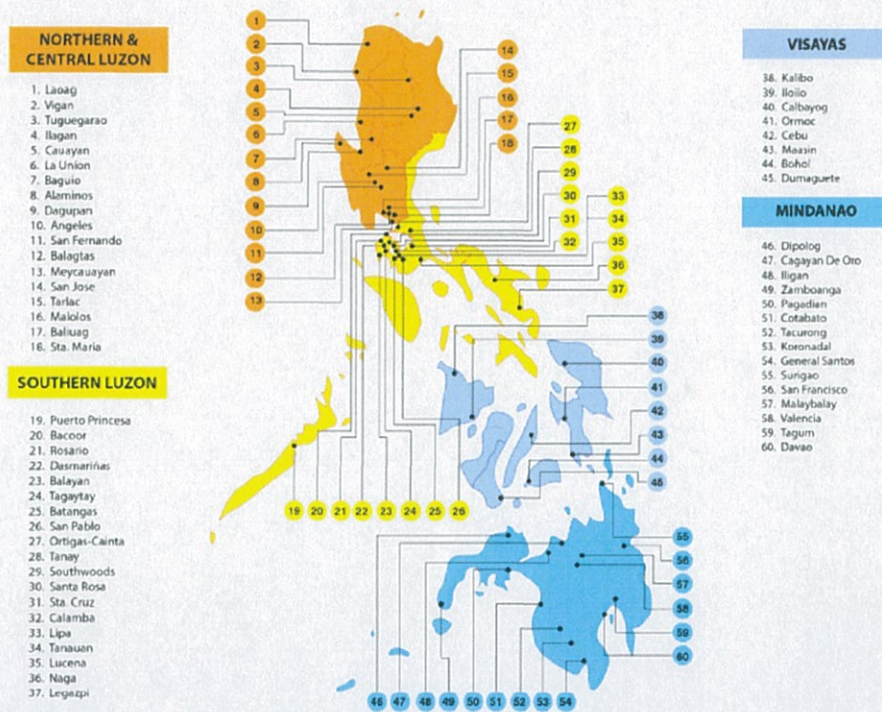
At present, STI ESG offers secondary and Tertiary Programs as well as post-graduate and associate programs. The colleges of STI ESG has Associate Degrees, Baccalaureate Degrees, Technical Course, and Vocational Courses in the fields of Information and Communications Technology (“ICT”), Business and Management, Hospitality Management, Tourism Management, Arts and Sciences, Engineering, and Education. These programs are accredited by the Commission on Higher Education (“CHED”) and/or the Technical Education and Skills Development Authority (“TESDA”). Also accredited by TESDA, the education centers of STI ESG offer technical/vocational courses for computer programming, computer technology, multimedia arts, and office administration, among others. In addition, all schools in the STI ESG network have been granted permit by the Department of Education (“DepEd”) to offer Senior High School (“SHS”).

The STI ESG network has a total of 76 schools nationwide and is comprised of sixty-four (64) STI-Branded Colleges and twelve (12) STI-Branded Education Centers. Likewise, of these seventy-six (76) schools, thirty-two (32) college campuses and five (5) education centers are wholly-owned while thirty-two (32) college campuses and seven (7) education centers are operated by franchisees. A location of the STI Network is presented below:

Map 1: STI Campuses in Metro Manila



Map 2: STI Campuses in Northern & Central Luzon, Southern Luzon, Visayas, and Mindanao



For SY 2016-17, there are 96,279 students enrolled in the STI ESG network.

STI ESG also develops Courseware Materials to ensure the standard delivery of courses across all campuses in the STI ESG network. These are sets of teaching materials used by the instructors which include the course syllabus that sets the general objectives of the course with the course outline, presentation slides, class hand-outs, and other materials to be utilized throughout the duration of the course. These materials also include instructors' guides which identify the specific objectives of each class session, the appropriate teaching methodologies to be used, and how the provided materials are to be used to achieve the set objectives.

Currently, STI ESG has developed Courseware Materials for over 500 courses and new Courseware Materials are still being developed as new courses and programs are offered. Moreover, existing coursewares are regularly revised and updated to keep up with the recent developments in the present industries and schools.

For example, in SY 2015-16, 49 Courseware Materials were developed and updated for Arts and Sciences, IT and Engineering, Business and Management, Tourism Management, and Hospitality Management. These Courseware Materials were embedded with activities aimed to develop the right skills and attitude required by top industries today through the 4Cs — Character, Critical Thinker, Communicator, and Change-adept. Moreover, the materials were Outcome-based Education (OBE)-aligned with assessment tools, rubric, and tasks.

Following recent developments in the industry and the trends in academic delivery, courseware revisions were undertaken by STI ESG. The traditional Courseware Materials were converted to liquid crystal display ("LCD") materials in SY 2011-12 and, as a result, course delivery was improved with the incorporation of multimedia materials.

STI ESG presently offers the following courses through its various schools:

1. BS in Computer Science
2. BS in Information Technology
3. BS in Information Technology major in Network Engineering

4. BS in Information Technology major in Digital Arts
5. BS in Accounting Technology
6. BS in Business Management major in Operations
7. BS in Office Administration
8. BS in Office Administration with Specialization in Customer Relations
9. BS in Real Estate Management
10. BS in Culinary Management
11. BS in Hotel and Restaurant Management
12. BS in Travel Management
13. BS in Tourism Management
14. BS in Computer Engineering
15. AB Communication
16. Bachelor of Secondary Education major in Mathematics
17. Bachelor of Secondary Education major in Computer Education
18. Master in Information Technology
19. 3-year Hotel and Restaurant Administration
20. 2-year Information Technology Program
21. 2-year Associate in Computer Technology
22. 2-year Hospitality and Restaurant Services
23. 2-year Tourism and Events Management
24. 2-year Computer and Consumer Electronics Program with Broadband Technology
25. 2-year Multimedia Arts Program
26. Senior High School

In 2014, DepEd granted permit to offer Senior High School to 67 STI ESG schools. In June 2014, 32 STI ESG schools were able to pilot Senior High School with a total of 1,195 students. For SY 2015-16, four (4) more schools started its Senior High School program. Thus, at present, all 76 schools in the STI ESG network have been granted the DepEd permit to offer Senior High School and there are 37,571 students enrolled in the program as of 30 September 2016.

The SHS tracks being offered are:

1. Academic Track

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

2. Technical-Vocational-Livelihood Track

- Information and Communications Technology (“ICT”) Strand, with specializations in:
 - Computer Programming
 - Animation
 - Illustration
 - Computer Hardware Servicing
 - Broadband Installation
- Home Economics Strand, with specializations in:
 - Commercial Cooking
 - Cookery
 - Bartending
 - Food and Beverage Services
 - Tour Guiding Services
 - Travel Services
 - Tourism Promotion Services
 - Front Office Services
 - Housekeeping

- Industrial Arts Strand, with specialization in:
 - Consumer Electronics Servicing

The Senior High School offering of STI ESG aims to minimize the impact of the expected reduction in enrollment since there will be a substantial reduction of incoming freshmen during the transition period from Senior High School to College. Likewise, there is an opportunity for STI ESG to increase its student retention and migration when the students graduate from Senior High School and decide to pursue a Baccalaureate Degree.

To this day, STI ESG remains steadfast in its commitment to strive for academic excellence and search for milestones directed towards the development of the institution and the improvement of the quality of its graduates. In this regard, STI ESG partnered with various companies to aid in scholarship programs and increase employment opportunities of STI ESG's graduates.

Risks of Investing

Before making an investment decision, investors should carefully consider the risks associated with an investment in the Company's Offer for the Bonds. These risks include:

RISKS RELATING TO THE COMPANY AND ITS BUSINESSES

- Discontinuation of SHS voucher system
- Expansion of the capacity of schools operated by DepEd
- Significant competition in each program and geographic market
- Over-integration and over-expansion
- Failure to achieve strategic and financial goals
- Operational risk of information technology infrastructure
- Increase in the attrition rates of students
- Relationship with franchisees
- Failure to update curriculum
- Failure to attract new students
- Dependence on the senior management team
- Potential adverse claims on intellectual property rights
- Inadequate insurance coverage
- No assurance that all the insurance policies will be renewed
- Failure to hire qualified faculty and academic personnel
- Exposure to credit risk from students and counterparties
- Ability to obtain financing at favorable interest rates
- Potential contests by third parties on land titles owned or leased
- Adverse impact of environmental laws
- Potential labor unrest, slowdowns, and increased wage costs

RISK RELATING TO THE POST-SECONDARY EDUCATION INDUSTRY

- Reduction in student population due to shift to the Senior High School Program
- Potential insufficient school capacity for tertiary in 2018
- Highly regulated industry
- Changes in the investment strategy of the Philippine Government
- Liability for events that occur in its campuses
- Seasonal nature of business

RISKS RELATING TO THE PHILIPPINES

- Slowdown in the Philippine economy

- Political and social instability or acts of terrorism
- Occurrence of natural catastrophes
- Occurrence of a Philippine credit rating downgrade
- Fluctuations in the foreign exchange

RISKS RELATED TO THE OFFER

- Liquidity risk
- Refinancing risk
- Interest rate risk
- Retention of ratings risk
- Risk of bond redemption for tax reasons

RISK RELATED TO THE PRESENTATION OF INFORMATION IN THIS PROSPECTUS

- Historical nature of pro forma financial information

Use of Proceeds

The gross proceeds of the offer of Bonds are expected to reach approximately PhP3,000,000,000.00. The net proceeds from the Offer, estimated to be at PhP2,952,652,625.00, determined by deducting from the gross proceeds the underwriting and selling fees, registration and listing fees, taxes and other related fees, and out-of-pocket expenses. A detailed discussion on the use of proceeds appears on the "Use of Proceeds" section on page 46 of this Prospectus.

Plan of Distribution

The Company plans to offer the Bonds to institutional and retail investors through a public offering to be conducted through the Underwriters. For a more detailed discussion, see "Plan of Distribution" section on page 51 of this Prospectus.

Summary of the Offer

The following summary is qualified in its entirety by, and should be read in conjunction with the more detailed information appearing elsewhere in the Prospectus to which it relates.

Prospective Bondholders are enjoined to perform their own independent investigation and analysis of the Company and the offer of Bonds. Each prospective bondholder must rely on its own appraisal of the Company and the Offer and its own independent verification of the information contained herein and any other investigation it may deem appropriate for the purpose of determining whether to invest in the Offer and must not rely solely on any statement or the significance, adequacy or accuracy of any information contained herein. The information and data contained herein are not a substitute for the prospective bondholder's independent evaluation and analysis.

Issuer	:	STI Education Services Group, Inc.
Joint Issue Managers	:	China Bank Capital Corporation and First Metro Investment Corporation
Joint Lead Underwriters	:	China Bank Capital Corporation and First Metro Investment Corporation
Trustee	:	China Banking Corporation – Trust Group
Registrar and Paying Agent	:	Philippine Depository & Trust Corporation
Issue / Issue Amount	:	SEC-registered fixed rate, Peso-denominated bonds constituting the direct, unconditional, unsecured and unsubordinated obligations of the Issuer (the “Bonds”) in the aggregate amount of Three Billion Pesos (Php3,000,000,000.00)
Use of Proceeds	:	To finance the Company's campus expansion projects, refinancing of the short-term loans incurred for the acquisition of land, and for other general corporate requirements, as described in detail in the section entitled “Use of Proceeds” on page 46 of this Prospectus
Issue Price	:	100% of face value
Manner of Distribution	:	Public Offering
Offer Period	:	The Offer shall commence on 13 March 2017 and end on 17 March 2017.
Issue Date	:	23 March 2017
Maturity Date or Redemption Date	:	Series 7Y Bonds – 23 March 2024 Series 10Y Bonds – 23 March 2027
Interest Rate	:	Series 7Y Bonds – 5.8085% Series 10Y Bonds – 6.3756%

The interest rates were determined subject to the results of bookbuilding among qualified institutional buyers.

Interest Payment Date : Interest shall be paid quarterly in arrears on March 23, June 23, September 23, and December 23, or the next Banking Day if such dates fall on a non-Banking Day, of each year commencing on 23 June 2017, until and including the relevant Maturity Date (each, a "Interest Payment Date").

Interest on the Bonds shall be calculated on a European 30/360-day basis.

Form and Denomination : The Bonds shall be issued in scripless form in minimum denominations of PhP50,000.00 each, and in multiples of PhP10,000.00 thereafter.

Early Redemption : The Issuer shall have the option, but not the obligation, to redeem in whole (and not in part), the outstanding Bonds before the relevant Maturity Date and on each of the relevant dates indicated below. The amount payable to the Bondholders upon the exercise of the Early Redemption Option by the Issuer shall be calculated, based on the principal amount of Bonds being redeemed, as the sum of: (i) accrued interest computed from the last Interest Payment Date up to the relevant Early Redemption Option Date; and (ii) the product of the principal amount of the Bonds being redeemed and the Early Redemption Price in accordance with the following schedule:

Early Redemption Option Dates	Early Redemption Price	Early Redemption Price
Series 7Y (due 2024)	On the 3 rd month after the 5 th anniversary of Issue Date	102.0%
	On the 6 th anniversary of Issue Date	101.0%
Series 10Y (due 2027)	On the 7 th anniversary of Issue Date	102.0%
	On the 8 th anniversary of Issue Date	101.5%
	On the 9 th anniversary of Issue Date	101.0%

The Issuer shall give not less than thirty (30) nor more than sixty (60) days prior written notice of its intention to redeem the Bonds, which notice shall be irrevocable and binding upon the issuer to effect such early redemption of the Bonds on the Early Redemption Date stated in such notice.

Redemption for Taxation Reasons : If payments under the Bonds become subject to additional or increased taxes other than the taxes and rates of such taxes prevailing on the Issue Date as a result of certain changes in

law, rule or regulation, or in the interpretation thereof, and such additional or increased rate of such tax cannot be avoided by use of reasonable measures available to the Issuer, the Issuer may redeem the Bonds in whole, but not in part, (having given not more than sixty (60) nor less than thirty (30) days prior written notice to the Trustee) at par or 100% of face value plus accrued interest. For avoidance of doubt, the Issuer shall not be liable for the payment of the additional or increased taxes, which shall be for the account of the Bondholders.

- Negative Pledge : The Bonds shall have the benefit of a negative pledge on all existing and future assets of the Issuer and its Subsidiaries, subject to certain permitted liens, as provided under Section 7.02(a) of the Trust Agreement.
- Purchase and Cancellation : The Issuer may purchase the Bonds at any time in the open market or by tender or by contract at the best available price under prevailing market conditions, in accordance with PDEX rules and/or the Securities and Regulation Code, as may be amended from time to time, without any obligation to make pro rata purchases from all Bondholders. Bonds so purchased shall be redeemed and cancelled and may not be re-issued. Upon listing of the Bonds in the PDEX, the Issuer shall disclose any such transaction in accordance with the applicable disclosure rules of the PDEX.
- Status of the Bonds : The Bonds constitute direct, unconditional, unsecured, and unsubordinated Peso denominated obligations of the Issuer and shall rank *pari passu* and rateably without any preference or priority amongst themselves and at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer, other than (i) obligations preferred by the law, and (ii) any obligation incurred by the Issuer pursuant to Section 7.02 (a) of the Trust Agreement or as may be allowed by the Trust Agreement. The Bonds shall effectively be subordinated in right of payment to, among others, all of the Issuer's secured debts to the extent of the assets securing such debt.
- Rating : The Bonds are rated PRS Aa by PhilRatings.
- Listing : The Issuer intends to list the Bonds in the PDEX on Issue Date.
- Non-Reliance : Each Bondholder also represents and warrants to the Trustee that it has independently and, without reliance on the Trustee, made its own credit investigation and appraisal of the financial condition and affairs of the Issuer on the basis of such documents and information as it has deemed appropriate and that it has subscribed to the Issue on the basis of such independent appraisal, and each Bondholder represents and warrants that it shall continue to make its own credit appraisal without reliance on the Trustee. The Bondholders agree to indemnify and hold the Trustee harmless from and against any and all liabilities, damages, penalties, judgments, suits, expenses and other costs of any kind or nature against the Trustee in respect of its obligations

hereunder, except for its gross negligence or wilful misconduct.

Own Risk : Investment in the Bonds is not covered by the Philippine Deposit Insurance Corporation ("PDIC"). Any loss or depreciation in the value of the assets of the Bondholders, resulting from the investments or reinvestment in the Bonds and the regular conduct of the Trustee's trust business shall be for the account of the Bondholder.

Governing Law : Philippine law

Contact Details of Registrar and Trustee : Registrar and Paying Agent

PHILIPPINE DEPOSITORY & TRUST CORP.
37th Floor Enterprise Center Tower 1
Ayala Avenue, Makati City, Metro Manila

Telephone No.: (632) 884-4425
Fax No.: (632) 757-6025
E-mail: baby_delacruz@pds.com.ph
Attention: Josephine "Baby" Delacruz
Director

Trustee

CHINA BANKING CORPORATION – TRUST GROUP
8/F China Bank Building,
8745 Paseo de Roxas corner Villar Street,
Makati City

Telephone No.: (+632) 867 1077
Fax No.: (+632) 867 1077
E-mail: sufferer@chinabank.ph
Attention: Susan U. Ferrer

Summary of Financial Information

The following tables set forth the summary of the consolidated financial information for the Company and should be read in conjunction with the auditors' reports, the Company's audited consolidated financial statements including the notes thereto included elsewhere in this Prospectus, and the section entitled "Management's Discussion & Analysis of Financial Conditions and Results of Operations." The selected financial information set forth in the following table has been derived from the Company's audited consolidated financial statements for the fiscal years ended March 31, 2014, 2015, and 2016, including the related notes, as audited by SyCip Gorres Velayo & Co., in accordance with accounting principles generally accepted in the Philippines, which includes all applicable PFRS and accounting standards set forth in Pre-Need Rule 31, As Amended: Accounting Standards for Pre-Need Plans and Pre-Need Uniform Chart of Accounts, otherwise known as PNUCA, as required by the SEC for PhilPlans First, Inc. ("Philippine GAAP"). All these information should be read in conjunction with the audited consolidated financial statements and notes thereto found on Annex "A" of this Prospectus.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in PhP thousands)

	March 31		
	2016	2015	2014
ASSETS			
Current Assets			
Cash and cash equivalents	542,171	629,679	338,356
Receivables	254,798	236,314	302,536
Inventories	36,217	31,412	37,578
Prepaid expenses and other current assets	86,941	89,138	92,952
Total Current Assets	920,127	986,543	771,422
Noncurrent Assets			
Property and equipment	4,645,498	4,631,477	3,617,347
Investment properties	607,485	629,273	40,198
Investments in and advances to associates and joint ventures	1,906,554	2,095,161	2,015,237
Available-for-sale financial assets	50,024	50,363	49,750
Deferred tax assets - net	22,822	15,234	25,872
Goodwill, intangible and other noncurrent assets	357,665	317,562	711,989
Total Noncurrent Assets	7,590,048	7,739,070	6,460,393
TOTAL ASSETS	8,510,175	8,725,613	7,231,815

LIABILITIES AND EQUITY**Current Liabilities**

Current portion of interest-bearing loans and borrowings	100,800	216,000	180,000
Accounts payable and other current liabilities	385,890	577,368	444,937
Unearned tuition and other school fees	53,226	20,583	9,622
Current portion of obligations under finance lease	5,729	7,545	7,435
Income tax payable	10,514	2,986	5,918
Total Current Liabilities	556,159	824,482	647,912

Noncurrent Liabilities

Interest-bearing loans and borrowings - net of current portion	775,200	876,000	-
Pension liabilities - net	38,143	27,538	23,869
Obligations under finance lease - net of current portion	7,313	10,647	11,431
Other noncurrent liabilities	31,365	-	-
Total Noncurrent Liabilities	852,021	914,185	35,300
Total Liabilities	1,408,180	1,738,667	683,212

Equity Attributable to Equity Holders of the Parent Company

Capital stock	3,081,872	3,081,872	3,081,872
Additional paid-in capital	379,937	379,937	379,937
Cumulative actuarial gain	7,797	14,129	14,635
Unrealized mark-to-market loss on available-for-sale financial assets	(871)	(532)	(1,145)
Other equity reserve	(6,739)	(1,899)	(1,899)
Share in associates':			
Unrealized mark-to-market gain on available-for-sale financial assets	122,577	424,682	434,085
Cumulative actuarial loss	(18,246)	(18,808)	(15,207)
Retained earnings	3,539,891	3,118,843	2,655,192
Total Equity Attributable to Equity Holders of the Parent Company	7,106,217	6,998,224	6,547,470
Equity Attributable to Non-Controlling Interests	(4,222)	(11,278)	1,133
Total Equity	7,101,995	6,986,946	6,548,603

TOTAL LIABILITIES AND EQUITY	8,510,175	8,725,613	7,231,815
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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in PhP thousands)

	Years Ended March 31		
	2016	2015	2014
REVENUES			
Sale of services:			
Tuition and other school fees	2,054,990	1,726,536	1,565,895
Educational services	184,263	179,366	182,183
Royalty fees	15,935	15,474	16,295
Others	24,730	20,814	18,259
Sale of goods -			
Sale of educational materials and supplies	70,590	58,329	58,002
	2,350,508	2,000,519	1,840,634
COSTS AND EXPENSES			
Cost of educational services	633,907	562,633	508,444
Cost of educational materials and supplies sold	65,245		52,784
General and administrative expenses	984,548	53,612 912,183	802,249
	1,683,700	1,528,428	1,363,477
INCOME BEFORE OTHER INCOME AND INCOME TAX	666,808	472,091	477,157
OTHER INCOME - net			
Rental income	62,187	30,193	10,033
Equity in net earnings of associates and joint ventures			
	54,026	104,910	227,742
Interest expense	(50,447)	(21,594)	(4,408)
Interest income	4,743	4,965	6,842
Dividend income	2,830	1,471	501
Gain on:			
Sale of property and equipment	5	313	206
Exchange of land	-	172,137	-
Excess of fair values of net assets acquired over acquisition cost from a business combination		2,091	
Loss on deemed sale and share swap of an associate	-	-	(43,000)
	73,344	294,486	197,916
INCOME BEFORE INCOME TAX	740,152	766,577	675,073
PROVISION FOR (BENEFIT FROM) INCOME TAX			
Current	73,765	52,242	68,719
Deferred	(6,877)	10,695	(16,558)
	66,888	62,937	52,161
NET INCOME	673,264	703,640	622,912

OTHER COMPREHENSIVE LOSS

Items to be reclassified to profit or loss in subsequent years:

Share in associates' unrealized mark-to-market loss on available-for-sale financial assets (302,105) (9,403) (1,496,113)

Unrealized mark-to-market gain (loss) on available-for-sale financial assets (340) 613 (415)

(302,445) (8,790) (1,496,528)

Items not to be reclassified to profit or loss in subsequent years:

Remeasurement loss on pension liability (7,043) (563) (7,705)

Tax effect 711 56 809

Share in associates' remeasurement gain (loss) on pension liability 562 (3,600) (8,272)

(5,770) (4,107) (15,168)

OTHER COMPREHENSIVE LOSS, NET OF TAX (308,215) (12,897) (1,511,696)

TOTAL COMPREHENSIVE INCOME (LOSS) 365,049 690,743 (888,784)

Net Income Attributable To

Equity holders of the Parent Company 671,048 713,651 657,425

Non-controlling interests 2,216 (10,011) (34,513)

673,264 703,640 622,912

Total Comprehensive Income (Loss) Attributable To

Equity holders of the Parent Company 362,832 700,754 (854,271)

Non-controlling interests 2,217 (10,011) (34,513)

365,049 690,743 (888,784)

Basic/Diluted Earnings Per Share on Net Income Attributable to Equity Holders of the Parent Company P0.22 P0.23 P0.21

Also detailed below is the summary of the Issuer's interim audited consolidated financial statements as at September 30, 2016 and March 31, 2016 and the comparison of the six (6) months ended September 30, 2015 and 2016 derived from the interim audited consolidated financial statements of the Company, including notes thereto which are found as Annex "B" of this Prospectus. These interim audited consolidated financial statements, including the related notes, have been audited by SyCip Gorres Velayo & Co. prepared in accordance with Philippine GAAP.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in PHP thousands)

	2016	
	September 30	March 31
ASSETS		
Current Assets		
Cash and cash equivalents	298,932	542,171
Receivables	805,513	254,798
Inventories	94,598	36,217
Prepaid expenses and other current assets	103,712	86,941
Total Current Assets	1,302,755	920,127
Noncurrent Assets		
Property and equipment	4,700,368	4,645,498
Investment properties	593,170	607,485
Investments in and advances to associates and joint ventures	2,157,469	1,906,554
Available-for-sale financial assets	50,104	50,024
Deferred tax assets - net	25,810	22,822
Goodwill, intangible and other noncurrent assets	325,302	357,665
Total Noncurrent Assets	7,852,223	7,590,048
TOTAL ASSETS	9,154,978	8,510,175
LIABILITIES AND EQUITY		
Current Liabilities		
Current portion of interest-bearing loans and borrowings	435,800	100,800
Accounts payable and other current liabilities	725,609	385,890
Unearned tuition and other school fees	512,339	53,226
Current portion of obligations under finance lease	4,904	5,729
Income tax payable	6,739	10,514
Total Current Liabilities	1,685,391	556,159
Noncurrent Liabilities		
Interest-bearing loans and borrowings - net of current portion	754,800	775,200
Pension liabilities - net	39,025	38,143
Obligations under finance lease - net of current portion	5,929	7,313
Other noncurrent liabilities	109,901	31,365
Total Noncurrent Liabilities	909,655	852,021
Total Liabilities	2,595,046	1,408,180
Equity Attributable to Equity Holders of the Parent Company		
Capital stock	3,081,872	3,081,872
Additional paid-in capital	379,937	379,937
Cumulative actuarial gain	7,797	7,797

Unrealized mark-to-market loss on available-for-sale financial assets	(792)	(871)
Other equity reserve	(28,838)	(6,739)
Share in associates':		
Unrealized mark-to-market gain on available-for-sale financial assets	126,428	122,577
Cumulative actuarial loss	(18,247)	(18,247)
Other equity reserves	729	0
Retained earnings	3,003,287	3,539,891
Total Equity Attributable to Equity Holders of the Parent Company	6,552,173	7,106,217
Equity Attributable to Non-Controlling Interests	7,759	(4,222)
Total Equity	6,559,932	7,101,995
TOTAL LIABILITIES AND EQUITY	9,154,978	8,510,175

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in PhP thousands)

	Six Months Ended September 30	
	2016	2015
REVENUES		
Sale of services:		
Tuition and other school fees	985,108	850,916
Educational services	82,231	88,536
Royalty fees	7,512	8,028
Others	14,767	13,604
Sale of goods		
Sale of educational materials and supplies	95,430	54,145
	1,185,048	1,015,229
COSTS AND EXPENSES		
Cost of educational services	290,068	276,490
Cost of educational materials and supplies sold	79,305	45,391
General and administrative expenses	481,565	491,093
	850,938	812,974
INCOME BEFORE OTHER INCOME AND INCOME TAX	334,110	202,255
OTHER INCOME - net		
Equity in net earnings of associates and joint ventures	273,835	157,662
Effect of derecognition of a subsidiary	(60,829)	-
Rental income	48,830	22,278
Interest expense	(25,444)	(26,738)
Dividend income	1,521	1,336
Interest income	1,427	2,339
	239,340	156,877

INCOME BEFORE INCOME TAX	573,450	359,132
PROVISION FOR (BENEFIT FROM) INCOME TAX		
Current	37,978	29,651
Deferred	(7,222)	(11,618)
	30,756	18,033
NET INCOME	542,694	341,099
OTHER COMPREHENSIVE LOSS		
Items to be reclassified to profit or loss in subsequent years:		
Share in associates' unrealized mark-to-market loss on available-for-sale financial assets	3,851	(326,028)
Unrealized mark-to-market gain (loss) on available-for-sale financial assets	80	(45)
	3,931	(326,073)
Items not to be reclassified to profit or loss in subsequent years:		
Remeasurement loss on pension liability	-	(388)
	-	(388)
OTHER COMPREHENSIVE LOSS, NET OF TAX	3,931	(326,461)
TOTAL COMPREHENSIVE INCOME (LOSS)	546,625	14,638
Net Income Attributable To		
Equity holders of the Parent Company	542,051	341,924
Non-controlling interests	643	(825)
	542,694	341,099
Total Comprehensive Income (Loss) Attributable To		
Equity holders of the Parent Company	545,982	15,462
Non-controlling interests	644	(825)
	546,625	14,638
Basic/Diluted Earnings Per Share on Net Income Attributable to Equity Holders of the Parent Company	₱0.18	₱0.11

The summary of financial information set out above does not purport to project the results of operations or financial condition of the Company for any future period or date. All figures are in thousands of Philippine Pesos except per share figures, and where otherwise indicated.

Capitalization

As at September 30, 2016, the authorized capital stock of the Issuer is PhP5,000,000,000.00, divided into 5,000,000,000 common shares each with PhP1.00 par value per share.

The following table sets forth the consolidated capitalization and indebtedness of the Issuer as at September 30, 2016 and as adjusted to give effect to the issuance of the Bonds. This table should be read in conjunction with the Issuer's interim audited consolidated financial statements as at September 30, 2016 and March 31, 2016 and for the six months ended September 30, 2015 and 2016 and notes thereto, included elsewhere in this Prospectus.

Capitalization at Base Issue Size of PhP3,000,000,000.00

(in PhP Thousands)	As of September 30, 2016 (Audited)	Adjustments	Notes	As of September 30, 2016 (Unaudited)
Current Liabilities				
Current portion of interest-bearing loans and borrowings	435,800			435,800
Accounts payable and other current liabilities	1,237,948			1,237,948
Current portion of obligations under finance lease	4,904			4,904
Due to related parties	-			-
Income tax payable	6,739			6,739
Total Current Liabilities	<u>1,685,391</u>			<u>1,685,391</u>
Noncurrent Liabilities				
Interest-bearing loans and borrowings – net of current portion	754,800	2,952,653		3,707,453
Pension liabilities	39,025			39,025
Obligations under finance lease – net of current portion	5,929			5,929
Other non-current liabilities	109,901			109,901
Total Non-current Liabilities	<u>909,655</u>	2,952,653		<u>3,862,308</u>
Equity				
Capital stock – PhP1.00 par value	3,081,872			3,081,872
Authorized – 5,000,000,000 shares				
Issued – 3,081,871,859 shares				
Additional paid-in capital	379,937			379,937
Cumulative Actuarial Gain	7,797			7,797
Unrealized mark-to-market loss on available-for-sale financial assets	(792)			(792)
Other Equity Reserve	(28,838)			(28,838)
Share in Associates:				

Unrealized mark-to-market gain on available-for-sale financial assets	126,428	126,428
Cumulative actuarial loss	(18,247)	(18,247)
Other equity reserves	729	729
Retained earnings	3,003,287	3,003,287
Total Equity Attributable to Equity Holders of the Parent Company	6,552,173	6,552,173
Equity attributable to Non-Controlling Interests	7,759	7,759
Total Equity	6,559,932	6,559,932
Total Capitalization	9,154,978	12,107,631

Notes: (1) Adjusted amount as at September 30, 2016 includes proceeds of Php3,000,000,000.00 principal amount of the Bonds offered hereunder (2) Adjusted amount is presented net of debt issuance cost per PFRS 39 (3) Adjustments do not include any effect of potential derivative components.

Risk Factors and Other Considerations

General Risk Warning

An investment in the Bonds described in this Prospectus involves a number of risks. The price of the securities can and does fluctuate, and any individual security may experience upward or downward movements, and may even become valueless. There is inherent risk that losses may be incurred rather than profit made as a result of buying and selling securities. There is an extra risk of losing money when securities are bought from smaller companies. Past performance is not a guide to future performance and there may be a large difference between the buying price and the selling price of these securities. Investors deal with a range of investments, each of which may carry a different level of risk. Investors should carefully consider all the information contained in this Prospectus, including the risk factors described below before deciding to invest in the Bonds.

This section entitled “Risk Factors and Other Considerations” does not purport to disclose all the risks and other significant aspects of investing in these securities. Investors should undertake independent research and study the trading of these securities before commencing any trading activity. Investors should seek professional advice regarding any aspect of the securities such as the nature of risks involved in trading of securities, and specifically those high-risk securities. Investors may request publicly available information on the Bonds and the Company from the SEC.

The risks factors discussed in this section are of equal importance and are only separated into categories for easy reference.

Prudence Required

The risk disclosure does not purport to disclose all the risks and other significant aspects of investing in the Bonds. Investors should undertake independent research and study on the trading of these securities before commencing any trading activity. Investors may request publicly-available information on the Bonds and STI ESG from the Company and the SEC.

Professional Advice

An investor should seek professional advice if he or she is uncertain of, or has not understood, any aspect of the securities to invest in or the nature of risks involved in trading of securities, especially high risk securities.

Risk Factors

This Prospectus contains forward-looking statements that involve risks and uncertainties. STI ESG adopts what it considers conservative financial and operational controls and policies to manage its business risks. The actual results may differ significantly from the results discussed in the forward-looking statements. See section “Forward-Looking Statements” on page 7 of this Prospectus. Factors that might cause such differences, thereby making the offering speculative or risky, may be summarized into those that pertain to the business and operations of STI ESG, in particular, and those that pertain to the over-all political, economic, and business environment, in general. These risk factors and the manner by which these risks shall be managed are presented below. The risk factors discussed in this section are of equal importance and are only separated into categories for easy reference.

Investors should carefully consider all the information contained in this Prospectus including the risk factors described below, before deciding to invest in the Bonds. The business, financial condition and results of operations of the Company could be materially and adversely affected by any of these risk factors.

RISKS RELATING TO THE COMPANY AND ITS BUSINESSES

Discontinuation of SHS voucher system

Under the Senior High School (“SHS”) Voucher Program, starting SY 2016-2017, qualified Grade 10 students will receive a subsidy from the government should they decide to enroll in non-DepEd schools, such as Private High Schools, Colleges, and Universities; Local Universities and Colleges (“LUC”); State Universities and Colleges (“SUCs”); and Technical and Vocational Schools.

The SHS Voucher Program was established to expand the existing government assistance programs to students, as mandated by the Enhanced Basic Education or the K to 12 Program. Through the voucher program, students and their families are given a wider choice of SHS programs and schools that are most relevant to their needs and career goals. It allows students to claim a “discount” or a deduction from the cost of tuition and other fees charged by a non-DepEd SHS. The voucher subsidy, however, is not given to the students directly in the form of cash but will be disbursed by DepEd to the non-DepEd SHS where the students choose to enroll.

Thus, when the government opts to discontinue the SHS voucher program, it would necessarily affect the number of enrollees in non-DepEd SHS, such as the STI ESG schools.

To mitigate this risk, STI ESG is planning to reduce reliance on the SHS voucher system by catering and moving to a higher market segment and targeting students from private schools instead.

Expansion of capacity of schools operated by DepEd

There are currently 5,965 public schools, operated and funded by DepEd, offering Grade 11 in 2016 and Grade 12 in 2017. These public schools utilize new classrooms and facilities that were constructed specifically for the SHS program. Since the present number of public schools offering SHS is deemed not enough to fully accommodate over 1 million Grade 10 completers, the DepEd authorized and accredited 4,711 non-DepEd private high schools, private and public universities and colleges, technical-vocational schools, and Philippine schools abroad to offer SHS.

The ongoing construction of new classrooms and facilities of the public schools may pose a threat to the number of enrollees who will enroll at the non-DepEd private schools, such as STI ESG. This expansion may provide the public schools ample space to accommodate more students and thus compete with non-DepEd private schools. Hence, enrollment in the private schools for SHS might potentially go down if students opt to enroll at DepEd schools, which offer free tuition.

To mitigate this risk, STI ESG plans to target more students coming from the private schools who have more capacity to pay. This should hopefully offset the expected decrease in the number of students coming from public schools.

Significant competition in each program and geographic market

STI ESG competes with public and private colleges and universities, as well as other alternatives to post secondary education, including vocational schools, located within the geographical locations where STI ESG schools operate. According to the CHED, there are 1,706 private and 682 public post-secondary educational institutions in the Philippines as of 14 September 2016. See “Business – Competition” on page 97 of this Prospectus.

STI ESG’S competitors, including public education institutions, may offer programs similar to those offered by STI ESG, and these competitor schools may be deemed more prestigious by students, may have more conveniently located campuses or education centers, or may charge lower or even zero tuition and other school fees. Additionally, STI ESG’s competitors will or may begin to offer distance learning programs. In response to this competition, STI ESG may be deem it necessary to reduce its tuition and other school fees or increase its operating expenses in order to retain or attract students or to pursue new market opportunities. As a result, STI ESG’s revenues and profitability may decline.

STI ESG cannot assure investors that it will be able to compete successfully with current or future competitors. If STI ESG is unable to maintain its competitive position or to respond effectively to competition, its profits may decrease, or it may lose its market share.

To mitigate this, STI ESG's campuses constantly conduct extensive market research of their competitors so that they are kept abreast of their competition's program offerings, tuition and other fees, and marketing efforts. Based on the findings from these market researches, STI ESG will continue to develop programs and campaigns to stay ahead of competition.

Over-integration and over-expansion

STI ESG's expansion strategy includes the opening of new campuses and education centers, and acquiring existing post-secondary education institutions and integrating them into its network. These expansion plans will create significant challenges in terms of maintaining the consistency of its teaching quality and academic culture, and ensuring that its brand name is not compromised. If STI ESG is unable to balance its expansion plans and the need to maintain academic quality standards, it may lose market share and be adversely affected.

Additionally, establishing new campuses and education centers poses unique challenges and will require STI ESG to make significant investments in infrastructure, marketing personnel, and other pre-operational expenses. Those challenges include finding strategic sites, negotiating to acquire the properties or to lease them, building or refurbishing facilities (including libraries, laboratories and classrooms), obtaining local permits, hiring and training faculty and personnel, and investing in management and support. Prior to opening new campuses, STI ESG is also required to obtain accreditation from the CHED and to issue student diplomas and certificates, its new programs must be granted official recognition. See "Regulatory and Environmental Matters" on page 176 of this Prospectus. Thus, if STI ESG does not succeed in obtaining these authorizations or accreditations in a timely manner, it may be adversely affected and will be unable to fully implement its growth strategy.

Furthermore, STI ESG may face significant risks in the process of integrating operations of any acquired colleges and education centers with existing ones, such as the inability to manage a larger number of geographically dispersed employees, or to create and effectively implement uniform controls, procedures, and policies. STI ESG may be unable to integrate faculty and personnel with disparate business backgrounds and corporate cultures, and its relationship with current and new employees, including professors, may be impaired. The anticipated benefits of the acquisitions STI ESG pursues may not be achieved unless it successfully integrates the campuses and education centers acquired into its operations and effectively manages, markets, and applies its business strategy to them. STI ESG cannot assure investors that it will be able to effectively manage a growing number of campuses and education centers and fully integrate them into its centralized structure without compromising its profitability. If STI ESG is unable to manage its growth effectively, its business may be materially and adversely affected.

To minimize this risk, STI ESG has set up standardized processes in operations and academics which all campuses under the STI ESG network must strictly comply with. In addition, the Company regularly monitors and reviews the performance of all its campuses to address immediately any concern that the school may have.

Failure to achieve strategic and financial goals

STI ESG intends to acquire post-secondary education institutions, including its franchisees, as part of its strategy to expand its operations. STI ESG regularly engages in evaluations of possible acquisition targets, including some of significant size and/or strategic importance. This includes the 17 schools that STI ESG has re-acquired from its franchisees since 2003. STI ESG may face difficulties in implementing its expansion strategy as its competitors may pursue similar expansion opportunities. STI ESG cannot assure investors that it will continue to be able to identify post-secondary education institutions that provide suitable acquisition opportunities, or to acquire any such institutions on the most favorable terms.

In addition, acquisitions STI ESG has made in the past or those that it may pursue in the future involve a number of risks and challenges that may have a material adverse effect on its business, such as:

- The acquisition may not contribute positively to STI ESG's commercial strategy, brand, or image;
- The acquisition may be subject to approval by the Philippine Competition Commission;
- STI ESG may face contingent liabilities in relation to civil, tax, labor, social security, and intellectual property matters, accounting practices, financial statements disclosure, or internal controls of the target institutions, as well as other regulatory matters in connection with tax investigations related to the conversion of such institutions to for-profit companies;
- The acquisition process may be time consuming and the time and attention of STI ESG's management may be diverted from its operations to some extent;
- The investment in acquisitions may not generate the expected returns;
- The cost structure of the acquired institutions may differ from STI ESG's cost structure, and it may be unable to adopt the acquired company's cost structure to its own cost structure;
- The acquisitions may generate goodwill, the amortization of which will result in the reduction of STI ESG's net income and potential dividends; and
- STI ESG may lose faculty members of the education institutions it may acquire.

To mitigate this risk, the Company carefully assesses the benefits and costs of each acquisition and will only proceed with the acquisition if it sincerely believes that the benefits can be realized and the costs and risks can be mitigated.

Operational risk of information technology infrastructure

STI ESG's business depends on its information technology infrastructure functioning properly and without interruptions. Several problems related to STI ESG's information technology infrastructure such as viruses, hackers, or system downtime may have material adverse effects on its business. For example, STI ESG's distance learning segment relies on a specific technological infrastructure, which is subject to these risks, in particular interruptions or technical difficulties in relation to the transmission of data, sound, and image via satellite, which are, in turn, subject to several other risks, ranging from meteorological and space phenomena to problems related to ground based operators, to their regulatory situation, and to frequency band availability.

These events are beyond STI ESG's control and therefore pose risks for its business and could have a material adverse effect on its operations. STI ESG cannot assure investors that any of the aforementioned problems or similar problems related to its technological infrastructure will be corrected in time or fully corrected, and as a result, its business may be materially and adversely affected.

Increase in the attrition rates of students

The success of STI ESG's business depends primarily on the number of students enrolled in its programs and the tuition and other school fees they are willing to pay. In turn, STI ESG's ability to attract and retain students depends mainly on the tuition and other school fees it charges, the convenience of its locations, and the quality of its programs as perceived by existing and potential students; and is affected by several factors, such as its ability to: (a) respond to increasing competitive pressures, (b) adequately prepare its students for careers in their chosen occupations, (c) develop new programs and enhance existing programs to respond to changes in market trends and student demands, (d) successfully implement its expansion strategy, (e) manage its growth while maintaining its teaching quality and (f) effectively market its programs to a broader base of prospective students. If STI ESG is unable to continue to attract students to enroll in its programs and to retain its current students, without decreasing its tuition and other school fees, its revenues may decline, and it may be adversely affected.

Historically in the Philippines, students have been sensitive to increases in tuition and other school fees, and it is likely that this price sensitivity will continue into the foreseeable future. Generally, the cost of education is a major factor in determining which schools students enroll in, as well as their choice of payment schemes once enrolled. If STI ESG chooses to increase its tuition and other school fees beyond what its target market can afford, such price increases may result in a significant drop in enrollment or the inability of enrolled students to continue studying in STI ESG's education institutions. A decline in the number of enrolled students as a result of such price increases could have a material adverse effect on STI ESG's business, financial condition, and results of operation. In addition, unforeseen changes in the level of STI ESG's attrition rates among its students may prevent STI ESG from achieving its expected future revenues. Any increase in attrition rates may adversely impact STI ESG and its results of operations.

In order to mitigate this risk, STI ESG has selectively granted credit to students in default to pay their past-due tuition fees in installments. STI ESG may decide to extend more credit to certain students in default as a way of retaining them.

Relationship with franchisees

A significant part of STI ESG's revenues comes from its partnerships with its franchisees, where STI ESG provides educational materials, training, marketing, and other support services, and in exchange, the franchisees pay royalties and service fees to STI ESG and represent STI ESG's brand.

STI ESG however cannot assure investors that it will be able to maintain good long-term relationships with its partners at its education centers, and as a result, it may be unable to renew franchising contracts with franchisees on the most favorable terms, or at all. Any deterioration for any reason in STI ESG's relationships with its franchisees, difficulties in appropriately serving their needs, or the inability to renew current contracts with them, may adversely affect its business, its operational and financial results, and its cash flow.

To mitigate this risk, franchisees undergo a thorough selection process wherein STI ESG determines their financial capability to successfully operate a school for a long-term period, the viability of the proposed location, that it is not in direct competition with another STI ESG campus, and how vast their target market will be in the proposed location. Should the relationship with the franchisees deteriorate, STI ESG may step in and take over the management of the STI school.

Failure to update curriculum

STI ESG's curriculum is designed to prepare students for careers by providing both theoretical knowledge and practical experience. In order to ensure that STI ESG's programs continue to provide students with the knowledge and skills necessary to meet labor market demands, it must continually update its curricula, and occasionally develop new post-Secondary Programs. However, the expansion of STI ESG's existing programs, the development of new programs, and the introduction of distance-learning programs and courses may not be accepted by its students or by prospective employers. Even if it is able to develop acceptable new programs, STI ESG may not be able to introduce these new programs as quickly as its competitors, or as quickly as employers demand. If STI ESG is unable to adequately respond to changes in market requirements due to financial constraints, unusually rapid technological changes or other factors, its ability to attract students could be impaired, employer acceptance of its students may diminish and its business and results of operations may be adversely affected.

To mitigate this risk, STI ESG endeavors to update its curriculum in a timely manner, taking into consideration present demands of students and employers. STI ESG also has developed linkages with prospective employers to ensure that it offers programs which are relevant and in-demand.

Failure to attract new students

In order to maintain and increase STI ESG's revenues and margins, it must continue to attract new students and offer high quality and cost-effective post-Secondary Programs. If STI ESG is unable to successfully advertise and market its campuses and programs, its ability to attract and enroll new students could be adversely impacted and its financial performance could suffer. Among the factors that could prevent STI ESG from successfully marketing and advertising its schools and programs are failure of its marketing tools and strategy to appeal to prospective or current students, and/or employer dissatisfaction with its program offerings.

To mitigate this risk, STI ESG undertakes sales, marketing, and advertising programs and is currently in the process of increasing its recruiting efforts.

Dependence on the senior management team

STI ESG's future success depends largely on the skills and efforts of its senior management team. If any member of STI ESG's senior management team resigns, it may be unable to replace them with equally qualified professionals. For further details on STI ESG's senior management team, see "Board of Directors and Senior Management." The loss of any member of STI ESG's senior management team that it might be unable to replace with one of the same experience and qualification could have a material adverse effect on its business.

To mitigate this risk, STI ESG generally enters into long-term employment agreements containing non-competition provisions with its executive officers.

Potential adverse claims on intellectual property rights

Part of the teaching material STI ESG uses in its programs is developed internally, and which conforms to the curriculum approved by CHED. STI ESG cannot assure investors that these teaching materials have been produced without violating third-party intellectual property rights, or that they are properly protected against use by others. In any of these cases, STI ESG's business would be materially and adversely affected. Moreover, if STI ESG is unable to successfully protect its teaching material, curricula, and educational methods against use by its competitors, its business may be materially and adversely affected.

To mitigate this risk, STI ESG has set up strict policies to ensure that its teaching materials, curricula, and other educational methods are properly handled by the authorized personnel for safekeeping and distribution to its faculty members.

Inadequate insurance coverage

STI ESG currently has comprehensive general liability insurance with Philippines First Insurance Company, Inc., and life and accident and group hospitalization and surgical insurance for its employees. STI ESG expects to obtain other insurance consistent with industry standards, as well as all-risk property insurance covering damage caused by a casualty loss (such as fire, natural disasters or certain acts of terrorism). However, each policy will likely have certain exclusions. STI ESG's level of insurance coverage may be inadequate to cover all possible losses if an event occurs causing loss of life, injury or significant property damage. In addition to the damage caused to STI ESG's properties by such a loss, it may suffer business disruption as a result of these events or be subject to claims by third parties who were injured or harmed.

To mitigate this risk, STI ESG is committed to carrying general liability insurance and all-risk property insurance.

No assurance that all the insurance policies will be renewed

The scope of insurance coverage that the Company can obtain or the Company's ability to obtain such coverage at reasonable rates may be limited. Insurance policies and terms of coverage will be subject to renewals and negotiations on a periodic basis and there is no assurance that adequate insurance coverage will be available on commercially reasonable terms in the future. Any material increase in insurance rates, decrease in available coverage or any failure to maintain adequate insurance in the future could adversely affect the business, financial condition and results of operations.

To mitigate this risk, the Company maintains comprehensive property and liability insurance policies with coverage features and insured limits that it believes are consistent with market practices from insurance providers.

Failure to hire qualified faculty and academic personnel

Due to the growing demands of faculty members and academic personnel in the country, STI ESG may encounter challenges in the recruitment of teaching personnel. Failure to hire qualified academicians may affect the quality of education and adversely affect the reputation of STI ESG. In addition, stringent government regulations in teaching qualifications (such as the requirement of a Master's Degree ("MA") and a minimum of three-year teaching experience) are critical factors affecting the hiring process and occupational status of the teachers.

To mitigate this risk, STI ESG follows a systematic and stringent screening process that ensures the required competencies of faculty members. STI ESG has continuing education assistance program for faculty members who wish to earn their MA while teaching or pursue further studies. On top of this, STI ESG regularly conducts trainings and certification program for faculty members aimed to improve their professional capabilities by increasing their knowledge of content and upgrading their competence in teaching and assessment; setting up a support group to provide professional enhancement; and utilizing the results of progress monitoring and evaluation to design interventions for continuous development.

Exposure to credit risk from students and counterparties

Credit risk is the risk that the Company will incur a loss arising from students, franchisees, or counterparties that fail to discharge their contractual obligations. In addition, since most of STI ESG's SHS students are voucher holders, STI ESG will be collecting from DepEd the amounts covered by its voucher program. If there is a delay from DepEd in the disbursement of the funds, this will also have an adverse effect on the credit collection of STI ESG.

To mitigate this risk, STI ESG manages and sets limits on the amount of risk that STI ESG is willing to accept for each counterparty and by monitoring expenses in relation to such limits. It is STI ESG'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. Thus, credit collection from the students has been improving year after year.

Ability to obtain financing at favorable interest rates

The Company obtains long-term financing with fixed interest rates at favorable levels to cover the capital expenditures needed to develop its projects. There is no assurance that the Company can continue to raise the additional financing needed to execute its future plans at the current terms. Aside from this, higher inflation and interest rates could have a material adverse effect on the Company's and its customers' ability to obtain financing.

Higher interest rates and factors that affect interest rates, such as the Government's fiscal policy, inflation and foreign exchange rates, could have a material adverse effect on the Company and on demand for its products. For example:

- Higher interest rates will make it more expensive for the Company to borrow funds to finance ongoing projects or to obtain financing for new projects and will affect the levered return margins of the Company; and
- Further government tightening of allowable industry exposure for banks and other financial institutions may reduce the amount of bank financing available to real estate developers including the Company, and drive up interest rates charged by banks and other financial institutions.

The occurrence of any of the foregoing events, or any combination of them, or of any similar events could have a material adverse effect on the Company's business, financial condition, and results of operations.

While these risks are uncontrollable, the Company practices prudent financial management to minimize any adverse effects. Total project costs included in construction contracts are also typically fixed, which mitigates the impact of inflationary pressures.

Further to the foregoing, the objectives of STI ESG when managing capital are to provide returns for stockholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. STI ESG monitors capital using the debt-to-equity ratio, which is computed as the total of current and noncurrent liabilities divided by total equity. STI ESG monitors its debt-to-equity ratio to keep it at a level acceptable to it and the lender bank.

Potential contests by third parties on land titles owned or leased

While the Philippines has adopted a system of land registration which is intended to conclusively confirm land ownership, and which is binding on all persons (including the Government), it is not uncommon for third parties to claim ownership of land which has already been registered and over which a title has been issued.

The Company, which owns land with various titles under its name and leases land from various landowners, from time to time, may be required to defend itself against third parties who claim to be the rightful owners of such land. As such, the Company's management may be required to devote significant time and incur significant costs in defending the Company against such claims.

To mitigate the risk, the Company conducts comprehensive due diligence and extensive title searches before it acquires or leases any parcel of land.

Adverse impact of environmental laws

Schools are required to follow strictly the guidelines of the Department of Environment and Natural Resources ("DENR") with regard to the construction of buildings. Any changes in the current environmental laws and regulations applicable to the Company may increase the Company's operating expenses. The Company complies with environmental laws and will keep abreast of any changes in such laws which may have an impact on its business. Please refer to "Regulatory Matters" on page 176 of this Prospectus for a detailed discussion.

Potential labor unrest, slowdowns, and increased wage costs

The Company has not experienced labor unrest in the past that resulted in the disruption of its operations. While the Company has not had to defend itself in the past, there can be no assurance that it will not be required to defend against labor claims or that it will not experience future disruptions to its operations due to labor disputes in the future. In addition, any changes in labor laws and regulations could result in the Company having to incur substantial additional costs.

To mitigate the risk, the Company complies with labor laws and adopts policies to ensure a healthy working environment for its employees.

RISK RELATING TO THE POST-SECONDARY EDUCATION INDUSTRY

Reduction in student population due to shift to the Senior High School Program

The education landscape in the Philippines has changed with the signing of Republic Act (“RA”) 10533 on May 15, 2013, 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.

For schools in the Philippines that offer tertiary education, similar to STI ESG, this means a substantial reduction in incoming college freshmen students for two (2) academic years.

To mitigate this risk, STI ESG has decided to capitalize on its nationwide presence and ample facilities to be able to implement the first-to-market approach of the SHS program. The SHS offering of STI ESG aims to minimize the impact of the expected reduction in enrollment since there will be a substantial reduction of incoming freshmen during the transition period from SHS to college. Likewise, there is an opportunity for STI ESG to increase its student retention and migration when the students graduate from SHS and decide to pursue a Baccalaureate Degree.

Potential insufficient school capacity for tertiary in 2018

The full implementation of the SHS program in SY 2016-17 means that there will only be a few enrollees in the Tertiary sector, since most of the students will still be enrolled in Grade 11. The first year college enrollees will only return in 2018 when the Grade 12 students graduate from SHS.

In SY 2016-17, STI ESG has 37,571 Senior High School students officially enrolled in its campuses. This is only 39% of STI ESG’s current student population. Should the number of SHS students in STI ESG continue to increase in the next two years, it is highly possible that the student capacity of the campuses in the STI ESG network will be fully maximized and, consequently, limit the number of first year college students that STI ESG campuses can accept in 2018. In this regard, STI ESG plans to expand select campuses in key urban areas nationwide to be able to accommodate its growing student population.

Highly regulated industry

Educational institutions in the Philippines are regulated by the Commission on Higher Education (“CHED”), Technical Education and Skills Development Authority (“TESDA”) and the Department of Education (“DepEd”). These entities regulate and oversee education curricula, tuition and other school fees, the licensing of schools and campuses, and other pertinent matters relating to the establishment and operation of schools and campuses.

In the matter of tuition and other school fees, existing regulations constrain schools from increasing tuition fees for returning students by more than the rate of inflation of the previous year, and the use of proceeds from fee charges may be subject to review by the regulatory authorities. Fee increases that exceed the previous year’s rate of inflation are subject to consultation with the students and their parents. The regional and provincial offices of CHED, TESDA, and DepEd have also historically been accommodative in interpreting rules and regulations. Thus, there is no assurance that the regulatory authorities will interpret and/or implement such rules or regulations consistently across the regions where STI ESG has campuses or franchisees.

Although STI ESG believes that it, and its franchisees, are currently in compliance in all material respects with applicable laws, rules, regulations, and licensing requirements, there can be no assurance that STI ESG and its franchisees will continue to be in compliance, or that changes in laws, regulations or government policy affecting STI ESG’s business activities, such as decisions by regulators as to the granting, amendment, renewal, revocation, or termination of licenses, permits or agreements, will not be adopted or make compliance more difficult or expensive. In addition, there is no assurance that the

regulatory authorities will interpret and/or implement such rules or regulations consistently across the regions where STI ESG has campuses or franchisees. CHED, TESDA, DepEd or other regulators may perform compliance reviews, start administrative proceedings or bring legal actions against STI ESG for non-compliance with regulations. If the results of these proceedings or legal actions are unfavorable to STI ESG or if STI ESG is unable to successfully defend its position, it may be required to pay monetary damages or be subject to fines, limitations, injunctions or other penalties.

Furthermore, there can be no assurance that the terms of any new legislation imposed by national, provincial or local government bodies in areas where STI ESG operates will not impose onerous requirements on STI ESG or restrict the way in which it currently conducts its business. Any such changes, particularly with regard to licensing, establishment, and operation of schools could have a material adverse effect on STI ESG's business, financial condition, and results of operations.

To mitigate this risk, STI ESG ensures it is always in compliance with all applicable regulations.

Changes in the investment strategy of the Philippine Government

Historically, government support for post-secondary education has been concentrated on certain universities serving as centers of excellence and research. Limited student enrollment capacity and a highly competitive admission process significantly restrict access to these universities. Due to government budgetary constraints, there are limited public resources available to provide post-secondary education opportunities for young adults. The government may change this policy and increase the competition STI ESG faces by: (a) increasing the level of public investment in post-secondary education in general; and (b) shifting resources from universities acting as center of excellence and research to public or private post-secondary institutions accessible to middle and low-income working young adults. In addition, the government may reduce the level of public investments in elementary and secondary education, thus reducing the number of new students seeking to enter post-secondary education institutions after concluding their secondary education, and so reducing the demand for its programs. Any policy change affecting the level of public investment in education may adversely affect STI ESG.

Liability for events that occur in its campuses

STI ESG may be held liable for the actions of administrators, professors, and other personnel on its campuses. In the event of accidents, injuries or other harm to students on STI ESG's premises, it may face claims alleging that it was negligent, provided inadequate supervision or was otherwise responsible for causing injury. STI ESG may also face allegations that professors or other personnel committed sexual harassment or other unlawful acts. A liability claim could affect STI ESG's reputation and its financial results. Even if unsuccessful, such a claim could cause unfavorable publicity, entail substantial expense, and divert the time and attention of STI ESG's management team.

To mitigate this risk, STI ESG maintains liability insurance.

Seasonal nature of business

STI ESG'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. The revenue of STI ESG, 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 STI ESG. However, management has concluded that this is not 'highly seasonal' in accordance with Philippine GAAP.

RISKS RELATING TO THE PHILIPPINES

Slowdown in the Philippine economy

The Philippine economy remains exposed to significant economic and political risks. The performance of the Philippine economy may influence, in general, the results of the Company's operations. Any deterioration in the economic conditions in the Philippines may adversely affect consumer sentiment. There can be no assurance that current or future Governments will adopt economic policies conducive to sustaining economic growth. The Company's results of operations depend in large part on the performance of the Philippine economy. Movement in interest rates will affect the Company's cost of capital as well as the financial viability of its projects. Any deterioration in the Philippine economy could materially and adversely affect the Company's financial condition and results of operations.

Political and social instability or acts of terrorism

Like any other country, it is materially significant to position the Philippines as an appealing place to invest. Any political and terrorist threats could adversely affect the general conditions and business environment in the Philippines, which could have a material effect on the operations and financial performance of the Company.

The Philippines has, from time to time, experienced political and military instability. In the past 15 years, there has been political instability in the Philippines, including impeachment proceedings against two (2) former presidents, the chief justice of the Supreme Court of the Philippines, and public and military protests arising from alleged misconduct by previous administrations. In addition, a number of officials of the Philippine government are currently under investigation on corruption charges stemming from allegations of misuse of public funds. The Company also cannot rule out any such isolated incidents from happening in the localities where it is operating.

The Philippines has also been subject to a number of terrorist attacks since 2000, and the Armed Forces of the Philippines has been in conflict with groups which have been identified as being responsible for kidnapping and terrorist activities in the Philippines. In addition, bombings have taken place in the Philippines mainly in cities in the southern part of the country. In September 2013, for example, a faction of the Moro National Liberation Front allegedly led by Nur Misuari, a former governor of the Autonomous Region of Muslim Mindanao, staged an armed uprising in Zamboanga City. The incident resulted in, among others, hostage situations and renewed tension between the Philippine Armed Forces and the Moro National Liberation Front. Moreover, in an operation to capture wanted international terrorist Zulkifli Bin Hir alias Marwan on January 25, 2015, 44 police commanders were killed in a 12-hour fight with two (2) Muslim rebel groups: Moro Islamic Liberation Front and Bangsamoro Islamic Freedom Fighters in the Southern Philippines. An increase in the frequency, severity or geographic reach of these terrorist acts, violent crimes, bombings and similar events could have a material adverse effect on investment and confidence in, and the performance of the Philippine economy.

There can be no assurance that acts of political violence will not occur in the future and any such events could negatively impact the Philippine economy. An unstable political environment, whether due to the imposition of emergency executive rule, martial law or widespread popular demonstrations or rioting or election-related violence, could negatively affect the general economic conditions and operating environment in the Philippines, which could have a material adverse effect on the business, operations, and financial condition of the Company.

Occurrence of natural catastrophes

The Philippines has experienced a significant number of major natural catastrophes over the years, including typhoons, volcanic eruptions, earthquakes, storm surges, mudslides, fires, droughts, and floods related to El Niño and La Niña, respectively. In the latter part of 2015, two (2) typhoons, Nona and Onyok, brought floods and displaced thousands in the areas affected while death tolls reached hundreds. Natural catastrophes will continue to affect the Philippines and the Company may incur

losses for such catastrophic events which could materially and adversely affect its business, financial condition and results of operations.

There is no assurance that the insurance coverage that the Company maintains for these risks will adequately compensate it for all damages and economic losses resulting from natural calamities.

Occurrence of a Philippine credit rating downgrade

International credit rating agencies issue credit ratings for companies with reference to the country in which they are resident. At present, the sovereign credit ratings of the Philippines are all investment grade. Moody's rates the Philippines as BAA2 with a stable outlook while S&P rates the Philippines as BBB, also with a stable outlook.

The Philippine sovereign credit ratings directly affect companies that are resident in the Philippines, such as STI ESG. There is no assurance that Moody's, S&P, or other international credit rating agencies will not downgrade the credit rating of the Philippines in the future. Any such downgrade could have a material adverse effect on liquidity in the Philippine financial markets and the ability of the Philippine government and Philippine companies, including STI ESG, to raise additional financing, and will increase borrowing and other costs.

Fluctuations in the foreign exchange

Any change in the value of the Peso against the U.S. dollar could affect the dollar value of a foreign investor's return on an investment in the Bonds. Foreign exchange required for the repatriation of capital or remittance of interest payments may be sourced from the Philippine banking system provided that the foreign investor registers his investment with the Bangko Sentral ng Pilipinas. However, the Monetary Board of the Bangko Sentral ng Pilipinas has statutory authority, with the approval of the President of the Philippines, during a foreign exchange crisis or in times of national emergency, to: (i) suspend temporarily or restrict sales of foreign exchange; (ii) require licensing of foreign exchange transactions; or (iii) require the delivery of foreign exchange to the BSP or its designee banks for the issuance and guarantee of foreign currency-denominated borrowings. The Philippine government has, in the past, instituted restrictions on the conversion of Pesos into foreign currency and the use of foreign exchange received by Philippine residents to pay foreign currency obligations.

As the revenues and expenses of the Company are in Peso denomination, STI ESG is not directly affected by foreign exchange risk. The Company's foreign exchange risk exposure is limited to the cost of materials, which, although locally sourced, may be imported.

RISKS RELATED TO THE OFFER

Liquidity risk

The Philippine securities markets are substantially smaller, less liquid, and more concentrated than major global securities markets. As such, the Company cannot guarantee that the market for the Bonds will always be active or liquid. Even if the Bonds are listed on the PDEX, trading in securities such as the Bonds, may sometimes be subject to extreme volatility in response to interest rates, developments in local and international capital markets and the overall market for debt securities and other factors. There is no assurance that the Bonds may be disposed at prices, volumes or at times deemed appropriate by the Bondholders.

Refinancing risk

Prior to the relevant Maturity Dates, the Issuer shall have the option, but not the obligation, to redeem in whole (and not in part), any series of the outstanding Bonds on the relevant Optional Redemption Dates (see "Description and Terms and Conditions of the Bonds – Optional Redemption" on page 60 of this Prospectus). In the event that the Company exercises this early redemption option, all Bonds will be redeemed and the Company would pay the amounts to which Bondholders would be entitled.

Following such redemption and payment, there can be no assurance that investors in the redeemed Bonds will be able to re-invest such amounts in securities that would offer a comparative or better yield or terms, at such time.

Interest rate risk

The Bond's market value moves (either up or down) depending on the change in interest rates. The Bonds when sold in the secondary market are worth more if interest rates decrease since the Bonds have a higher interest rate relative to the market. Conversely, if the prevailing interest rate increases the Bonds are worth less when sold in the secondary market. Therefore, an investor faces possible loss if he decides to sell.

Retention of ratings risk

There is no assurance that the rating of the Bonds will be retained throughout the life of the Bonds. The rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension, or withdrawal at any time by the assigning rating organization. There is no assurance that the rating will be maintained throughout the life of the Bonds.

Risk of bond redemption for tax reasons

If payments under the Bonds become subject to additional or increased taxes other than the taxes and rates of such taxes prevailing on the Issue Date as a result of certain changes in law, rule or regulation, or in the interpretation thereof, and such additional or increased rate of such tax cannot be avoided by use of reasonable measures available to the Issuer, the Issuer may redeem the Bonds in whole, but not in part, (having given not more than sixty (60) nor less than thirty (30) days prior written notice to the Trustee) at par or 100% of face value plus accrued interest. Given that the option is exercisable by the Issuer, the Issuer shall ensure that it has cash resources sufficient to redeem the Bonds, before exercising such option.

RISK RELATED TO THE PRESENTATION OF INFORMATION IN THIS PROSPECTUS

Historical nature of pro forma financial information

The Company has included reviewed pro forma consolidated financial information elsewhere in this Prospectus because it believes that such information is important to an investor's understanding of the Company's expected presentation of its results of operations after the Consolidation. The pro forma consolidated results of operations included herein are necessarily based on certain assumptions, including those identified in the notes to the historical pro forma consolidated financial information, and such information is not necessarily indicative of the operating results that would have been achieved had the acquisition of these assets been completed prior to such periods, nor is it indicative of future operating results, and should not be relied upon as being indicative.

Use of Proceeds

The net proceeds from the issue (after deducting the fees and expenses) amount to approximately PhP2,952,652,625.00 and are intended to be used for campus expansion projects, refinancing of short-term loans incurred for the acquisition of land, and other general corporate requirements.

The computation of the net proceeds is as follows:

Based on the base issue size

PhP3,000,000,000 Issue	Total
Estimated proceeds from the Offer	PhP3,000,000,000.00
Less: Estimated fees, commissions and expenses	
Gross Underwriting Fees	PhP19,350,000.00
Documentary Stamp Taxes to be paid by the Company	PhP11,250,000.00
Philippines SEC filing and legal research fee	PhP1,098,375.00
Professional fees	PhP14,088,000.00
PDEX Listing Application	PhP200,000.00
Other expenses	PhP1,361,000.00
Total estimated fees, commissions and expenses	PhP47,547,375.00
Estimated net proceeds	PhP2,952,652,625.00

The PDEX Annual Maintenance Fee shall be PhP150,000.00 per tranche for the life of the bonds.

The net proceeds will primarily be used to finance the campus expansion projects of the Company as follows. In terms of priority over the use of the proceeds from the Bonds, the Company has no preference over these projects since the proceeds may be used simultaneously across these projects and in accordance with the following discussion, consistent with sound business judgment and practices.

Purpose	Disbursement Schedule (Quarter Ending) (in PhP millions)							Total
	Mar 2017	Jun 2017	Sept 2017	Dec 2017	Mar 2018	Jun 2018	Mar 2019	
Acquisition of Land	1,513	-	-	-	-	-	-	1,513
Construction	-	878	752	596	564	345	-	3,135
Equipment and Machineries, Furniture and Fixtures	-	227	196	181	120	68	8	800
Sub Total	1,513	1,105	948	777	684	413	8	5,448
General Working Capital Requirements								410
Total								5,858

In terms of breakdown per campus:

Campus	Land Acquisition		Construction and Procurement		Total Cost (in PhP mns)	Est. Construction Period	Target Date of Operations
	Cost (in PhP mns)	Status	Cost (in PhP mns)	Status			

STI Academic Center - Davao	400	-	285	Planning	685	May 2017 to March 2018	June 2018
STI Academic Center - San Jose Del Monte, Bulacan	-	-	550	Planning	550	May 2017 to March 2018	June 2018
STI Academic Center - EDSA	383	Acquired	600	Planning	983	May 2017 to March 2018	June 2018
STI Academic Center - Lipa	115	Advanced negotiation	400	Planning	515	May 2017 to March 2018	June 2018
STI Academic Center - Legaspi	65	Negotiation	200	Planning	265	June 2017 to April 2018	June 2018
STI Academic Center - Tanauan	400	Advanced negotiation	250	Planning	650	May 2017 to March 2018	June 2018
STI Academic Center - Cabanatuan	150	Negotiation	50	Planning	200	June 2017 to April 2018	June 2018
STI Academic Center- Sta. Mesa	-	-	650	Planning	650	June 2017 to April 2018	June 2018
STI Academic Center - Caloocan Expansion (Phase 2 and 3)	-	-	950	Planning	950	June 2017 to April 2018	June 2018
Sub Total	1,513		3,935		5,448		
General Working Capital Requirements					410		
Total					5,858		

STI Academic Center – Davao

STI Academic Center – Davao will be located in University Avenue, Matina Subdivision, Davao City. The 6,300 sq. m. building facilities will sit in a lot with a total land area of 40,187 sq.m. The facility will have an initial capacity of 5,000 students. The Company may use part of the proceeds from the Bonds to fund, in part or in full, the acquisition cost of the land and the construction costs of STI Academic Center – Davao. Total acquisition costs of the land are estimated to be Php400 million. The seller of the land is STI Holdings, Inc., the parent company of the Issuer. The Company will hire Salvador Llanillo & Bernardo to confirm the fairness of the final purchase price, in compliance with the applicable regulations on related party transactions. Total construction costs are estimated to be Php285 million. As of the date of this Prospectus, the Company is in the process of finalizing the building plans for STI Academic Center- Davao.

Once STI Academic Center – Davao is operational, the existing lease contract for STI College Davao will be pre-terminated by the Company, in accordance with its provisions.

STI Academic Center - San Jose Del Monte, Bulacan

STI Academic Center - San Jose Del Monte, Bulacan will be located in Altaraza Road, Altaraza Town Center, San Jose del Monte, Bulacan. The site has a total lot area of 4,178 sq. m., while the building will have a usable gross floor area ("GFA") of 13,000 sq. m. and is envisioned to have a capacity of 10,500 students. The Company may use part of the net proceeds from the Bonds to fund, in part or in full, the construction and procurement costs of STI Academic Center – San Jose Del Monte, Bulacan. Such costs

are estimated to be PHP550 million. As of the date of this Prospectus, the Company is in the process of finalizing the building plans for STI Academic Center- San Jose Del Monte, Bulacan.

STI Academic Center - EDSA

STI Academic Center - EDSA will be located in EDSA, near Pasay Rotunda. The site has a total lot area of 3,911 sq. m., while the building will have a usable GFA of 14,500 sq. m. It will have a capacity of 12,000 students. The Company may use part of the proceeds from the Bonds, to refinance the short-term loans incurred from the Bank of the Philippine Islands amounting to PHP383 million, for the acquisition of the land from Violeta R. Cu Unjieng and William R. Cu Unjieng for a total cost of PHP602 million. Further, part of the net proceeds from the Bonds may be used to fund, in part or in full, the construction and procurement costs of STI Academic Center – EDSA, estimated to be PHP600 million. As of the date of this Prospectus, the Company is in the process of finalizing the building plans for STI Academic Center- EDSA.

STI Academic Center – Lipa

STI Academic Center - Lipa will be located in M.K. Lina St., Lipa City, Batangas. The site has a total lot area of 3,225 sq. m. The building will have a usable GFA of 9,300 sq. m., and will be able to accommodate 7,500 students. The Company may use part of the proceeds from the Bonds, to fund the acquisition of the land, estimated to cost around PHP115 million. Further, part of the net proceeds from the Bonds may be used to fund, in part or in full, the construction and procurement costs of STI Academic Center – Lipa, estimated to be PHP400 million. As of the date of this Prospectus, the Company is in the advanced negotiation stage for the land acquisition. It is also in the process of finalizing the building plans for STI Academic Center- Lipa.

Once STI Academic Center – Lipa is operational, the existing lease contract for STI College Lipa will be pre-terminated by the Company, in accordance with its provisions.

STI Academic Center – Legaspi

STI Academic Center - Legaspi will be located in Rizal Avenue, Legaspi City, Albay. The site has a total lot area of 4,149 sq. m. The building will have a usable GFA of 3,900 sq. m., and will have a capacity of 3,300 students. The Company may use part of the proceeds from the Bonds, to fund the acquisition of the land, estimated to cost around PHP65 million. Further, part of the net proceeds from the Bonds may be used to fund, in part or in full, the construction and procurement costs of STI Academic Center – Legaspi, estimated to be PHP200 million. As of the date of this Prospectus, the Company is in the negotiation stage for the land acquisition. It is also in the process of finalizing the building plans for STI Academic Center- Legaspi.

Once STI Academic Center – Legaspi is operational, the existing lease contract for STI College Legaspi will be pre-terminated by the Company, in accordance with its provisions.

STI Academic Center - Tanauan

STI Academic Center – Tanauan will be located inside the Soledad Park Subdivision, Tanauan, Batangas. Situated in a land with a total lot area of 35,249 sq. m., STI Academic Center – Tanauan will have a usable GFA of 5,400 sq. m. and will be able to accommodate 4,500 students. The Company may use part of the net proceeds from the Bonds to fund, in part or in full, the acquisition of the land, estimated to cost around PHP400 million and the construction and procurement costs, estimated to cost around PHP250 million. As of the date of this Prospectus, the Company is in still negotiating the land acquisition and is in the process of finalizing the building plans for STI Academic Center- Tanauan.

Once STI Academic Center – Tanauan is operational, the existing lease contract for STI College Tanauan will be pre-terminated by the Company, in accordance with its provisions.

STI Academic Center – Cabanatuan

STI Academic Center – Cabanatuan will be located in Cabanatuan City. As of the date of this Prospectus, the Company is in the process of scouting potential sites in the city. The Company may use part of the net proceeds from the Bonds to fund, in part or in full, the acquisition of the land, which the Company has allotted a budget of around PhP150 million and the construction and procurement costs, which has a budget allocation of around PhP50 million.

STI Academic Center – Sta. Mesa

STI Academic Center – Sta. Mesa will be located along P. Sanchez St. in Sta. Mesa. Situated in a land with a total lot area of 6,251.5 sq. m., STI Academic Center – Sta. Mesa will have a usable GFA of 13,079.1 sq. m. It will have a student capacity of 11,000. The Company may use part of the net proceeds from the Bonds to fund, in part or in full, the construction and procurement costs, estimated to cost around PhP650 million. As of the date of this Prospectus, the Company is in the process of finalizing the building plans for STI Academic Center- Cabanatuan.

STI Academic Center - Caloocan Expansion (Phase 2 and 3)

STI Academic Center – Caloocan sits currently in a lot with an area of 15,495 sq. m. located at Samson cor. Caimito Road, Brgy. 80, Caloocan City. The Company is preparing the plans for the development of Phase 2 and Phase 3 of STI Academic Center – Caloocan, which includes the construction of new buildings and facilities, and will increase the student capacity from 8,000 to 20,500. The Company may use part of the net proceeds from the Bonds to fund, in part or in full, the construction and procurement costs, estimated to cost around PhP950 million. As of the date of this Prospectus, the Company is in the process of finalizing the building plans for the Phase 2 and Phase 3 of STI Academic Center- Caloocan.

As stated above, all of the foregoing projects are still in the planning stage and the building plans have yet to be completed. The Environmental Clearance Certificate will be secured once the building plans are finalized. The Company shall process, secure, and comply with all required environmental permits, and shall submit the same to the SEC.

STI ESG may also use the net proceeds from the Bonds for its working capital requirements.

The foregoing discussion represents an estimate of the Company's net proceeds from the issue based on current plans and anticipated expenditures. Any or all of the foregoing projects, without preference, will be financed by the proceeds from the bond issue as well as the internally generated cash and/or any new or existing credit facilities of STI ESG. No part of the proceeds will be used to reimburse any officer, director, employee or shareholder for service rendered, assets previously transferred, money loaned or advanced, or otherwise. Actual allocation of net proceeds by the Company may vary from the foregoing discussion as management may find it necessary or advisable to reallocate the net proceeds within the categories described above or to use such net proceeds for the refinancing of its short-term loans or for working capital purposes. Other than the gross underwriting fees and professional fees, no part of the proceeds shall be used to pay or reimburse the Lead Underwriters or its parent companies, subsidiaries, or affiliates.

Pending disbursements for the planned use of proceeds or in case the Company experiences delays in the procurement of the necessary permits and authorizations for the construction of the buildings and facilities, the Company shall invest the proceeds into short term marketable securities or short term bank deposits, in order for the Company to have the flexibility to immediately deploy the funds once the planned use or the construction of the buildings commences. Accordingly, the Company shall adjust the disbursement schedule indicated above. In the event of any substantial deviation or adjustments in the planned use of proceeds, as discussed in this section, the Company shall inform the SEC and the Bondholders within a reasonable period of time prior to its implementation.

Determination of Offer Price

The Bonds shall be issued on a fully paid basis and at an issue price that is 100% of its face value.

Plan of Distribution

The Offer

The Bonds covered and described by this Prospectus is the first tranche, to be issued up to an aggregate principal amount of up to Three Billion Pesos (PhP3,000,000,000.00). Any remaining balance of the aggregate principal amount of the Bonds that is not fully exercised shall be lodged under a shelf registration and will be raised in future tranches, under Rule 8.1.2 of the Implementing Rules and Regulations of the SRC. Any subsequent offering under such rule requires the Issuer to submit the relevant updates and amendments to the registration statement and the issuance of the corresponding Permit to Sell by the SEC. There can be no assurance in respect of: (i) whether the Company would issue the future tranches at all; (ii) the size and timing of any such issuance; or (iii) the specific terms and conditions of such issuance. Any decision by the Company to issue such future tranches will depend on a number of factors, which may be outside of the control of the Company, including but not limited to prevailing interest rates, market liquidity, and the general economic conditions in the Philippines.

Joint Lead Underwriters

China Bank Capital Corporation and First Metro Investment Corporation (the "FMIC"), the ("Joint Lead Underwriters") have agreed to distribute and sell the Bonds at the Offer Price, pursuant to an Underwriting Agreement with STI ESG (the "Underwriting Agreement"). Subject to the fulfillment of the conditions provided in the Underwriting Agreement, the Joint Lead Underwriters have committed to underwrite the following amounts on a firm basis:

Joint Lead Underwriter	Underwriting Commitment
China Bank Capital Corporation	PhP1,500,000,000.00
First Metro Investment Corporation	PhP1,500,000,000.00
Total	PhP3,000,000,000.00

The Underwriting Agreement may be terminated in certain circumstances prior to payment being made to STI ESG of the net proceeds. In case the Underwriting Agreement is terminated, the Company shall notify SEC of the termination and its subsequent course of action.

The underwriting, any selling fees, and other related fees to be paid by the Company to the Joint Lead Underwriters in relation to the Offer shall be equivalent to forty (40) bps of the gross proceeds of the Offer.

The Joint Lead Underwriters are duly licensed by the SEC to engage in the underwriting or distribution of the Bonds. The Joint Lead Underwriters may, from time to time, engage in transactions with and perform services in the ordinary course of its business, for STI ESG or any of its Subsidiaries.

China Bank Capital Corporation has no direct relations with STI ESG in terms of ownership by either of their respective major shareholder/s, and have no right to designate or nominate any member of the Board of Directors of STI ESG. China Bank Capital Corporation's parent is China Banking Corporation, whose trust department, China Banking Corporation – Trust Group is the Trustee for the Bonds.

Likewise, FMIC has no direct relations with STI ESG in terms of ownership by either of their respective major shareholder/s, and has no right to designate or nominate any member of the Board of Directors of STI ESG. However, Mr. Jesli Lapus is a common independent director of STI ESG, STI Education Systems Holdings, Inc., the parent company of STI ESG, and Metropolitan Bank & Trust Co., the parent company of the FMIC.

The interlocking directorship of Mr. Jesli Lapus will not, however, materially affect the Bonds issuance.

The Joint Lead Underwriters have no contract or other arrangement with STI ESG by which it may return to STI ESG any unsold Bonds.

China Bank Capital, a subsidiary of China Banking Corporation, provides a wide range of investment banking services to clients across different sectors and industries. Its primary business is to help enterprises raise capital by arranging or underwriting debt and equity transactions, such as project financing, loan syndications, bonds and notes issuances, securitizations, initial and follow-on public offerings, and private equity placements. China Bank Capital also advises clients on structuring, valuation, and execution of corporate transactions, including mergers, acquisitions, divestitures, and joint ventures. It was established and licensed as an investment house in 2015 as the spin-off of China Banking Corporation's investment banking group, which was organized in 2012. China Bank Capital has total assets of PhP630.85 Million and has total capital of PhP609.85 Million.

First Metro Investment Corporation is a leading investment bank in the Philippines with over fifty years of service in the development of the country's capital markets. It is the investment banking arm of the Metrobank Group, one of the largest financial conglomerates in the country. First Metro and its subsidiaries offer a wide range of services, from debt and equity underwriting to loan syndication, project finance, financial advisory, investment advisory, government securities and corporate debt trading, equity brokering, online trading, asset management, and research. First Metro has established itself as a leading bond house with key strengths in origination, structuring, and execution. As of September 30, 2016, FMIC's total assets were PhP62,753.48 Million, and its total Stockholder's Equity was PhP19,854.98 Million.

Sale and Distribution

The distribution and sale of the Bonds shall be undertaken by the Underwriters who shall sell and distribute the Bonds to third party buyers/investors. The Joint Lead Underwriters are authorized to organize a syndicate of sub-underwriters, soliciting dealers, and/or selling agents for the purpose of the Offer; provided, however, that the Joint Lead Underwriters shall remain solely responsible to the Issuer in respect of its obligations under the Underwriting Agreement entered into by it with the Issuer and the Issuer shall not be bound by any of the terms and conditions of any agreement entered into by the Joint Lead Underwriters with such other parties. Nothing herein shall limit the rights of the Underwriters from purchasing the Bonds for their respective accounts.

The obligations of each of the Underwriters will be several, and not solidary, and nothing in the Underwriting Agreement shall be deemed to create a partnership or joint venture between and among any of the Underwriters. Unless otherwise expressly provided in the Underwriting Agreement, the failure by an Underwriter to carry out its obligations thereunder shall neither relieve the other Underwriters of their obligations under the same Underwriting Agreement, nor shall any Underwriter be responsible for the obligation of another Underwriter.

Term of Appointment

The engagement of the Underwriters shall subsist so long as the SEC Permit to Sell remains valid, unless otherwise terminated pursuant to the Underwriting Agreement.

Offer Period

The Offer Period shall commence on [13 March 2017] and end on [17 March 2017].

Application to Purchase

Applicants may purchase the Bonds during the Offer Period by submitting to the Underwriters properly completed and signed Applications to Purchase, together with two (2) fully executed signature cards authenticated by the Corporate Secretary with respect to corporate and institutional investors, and shall be accompanied by the payment in full of the corresponding purchase price of the Bonds applied for, in the manner provided in the said Application to Purchase.

Each corporate and institutional purchaser must also submit, in addition to the foregoing, a certified true copy of the SEC Certificate of Registration of its latest Articles of Incorporation and By-laws, BIR Certificate of Registration, or such other relevant organizational or charter documents, and the duly notarized certificate of the Corporate Secretary attesting to the resolution of the board of directors and/or committees or bodies authorizing the purchase of the Bonds and designating the authorized signatory/ies therefore, including his or her specimen signature.

Individual Applicants must also submit, in addition to accomplished Applications to Purchase and the required attachments, a photocopy of any one of the following identification cards (ID), subject to verification with the original ID: passport, driver's license, postal ID, company ID, SSS/GSIS ID and/or Senior Citizen's ID or such other ID and documents as may be required by or acceptable to the selling bank, which must be valid as of the date of the Application.

An Applicant who is exempt from or is not subject to withholding tax, or who claims reduced tax treaty rates shall, in addition, be required to submit the following requirements to the Underwriters (together with their Applications) who shall then forward the same to the Registrar, subject to acceptance by the Issuer as being sufficient in form and substance: (i) certified true copy of the original, current, valid and subsisting tax exemption certificate, ruling or opinion issued by the BIR on file with the Applicant as certified by its duly authorized officer; (ii) with respect to tax treaty relief, a copy of the tax treaty relief application (TTRA) accompanied by the mandatory attachments required under prevailing revenue regulations, certified true and correct by an authorized officer of the Applicant, including, but not limited to proof to support the applicability of reduced treaty taxes, proof of tax domicile issued by the relevant tax authority of the Bondholder and authenticated by the Philippine consul, and confirmation from the SEC that the relevant entity is not doing business in the Philippines; (iii) an original of the duly notarized undertaking, in the prescribed form, declaring and warranting its tax-exempt status or entitlement to reduced tax rates under existing tax treaties, undertaking to immediately notify the Issuer, of any suspension or revocation of its tax-exempt status and agreeing to indemnify and hold the Issuer, the Underwriters, the Registrar and Paying Agent free and harmless against any tax assessment claims, actions, suits, and liabilities resulting from the non-withholding or reduced withholding of the required tax; and (iv) such other documentary requirements as may be required under the applicable regulations of the relevant taxing or other authorities, or by the Issuer in accordance with its internal policies.

Completed Applications to Purchase and corresponding payments must reach the Underwriters prior to the end of the Offer Period, or such earlier date as may be specified by the Underwriters. Acceptance by the Underwriters of the completed Application to Purchase shall be subject to the availability of the Bonds and the acceptance by the Company. In the event that any check payment is returned by the drawee bank for any reason whatsoever or the nominated bank account to be debited is invalid, the Application to Purchase shall be automatically cancelled and any prior acceptance of the Application to Purchase is deemed revoked.

Minimum Purchase

A minimum purchase of Fifty Thousand Pesos (PhP50,000.00) shall be considered for acceptance. Purchases in excess of the minimum shall be in integral multiples of Ten Thousand Pesos (PhP10,000.00).

Allotment of the Bonds

If the Bonds are insufficient to satisfy all Applications to Purchase, the available Bonds shall be allotted in accordance with the chronological order of submission of properly completed Applications to Purchase on a first-come, first-served basis, without prejudice and subject to STI ESG's exercise of its right of rejection.

Acceptance of Applications

STI ESG and the Joint Issue Managers and Underwriters reserve the right to accept or reject applications to subscribe in the Bonds, and in case of oversubscription, the Joint Lead Underwriters (in consultation with the Issuer) reserve the right to allocate the Bonds available to the applicants in a manner it deems appropriate. If any application is rejected or accepted in part only, the application money or the appropriate portion thereof will be returned without interest by the relevant Underwriters.

Refunds

In the event an Application is rejected or the amount of Bonds applied for is scaled down, the relevant Underwriter, upon receipt of such rejected and/or scaled down applications, shall notify the Applicant concerned that his application has been rejected or the amount of Bonds applied for is scaled down, and refund the amount paid by the Applicant with no interest thereon. With respect to an Applicant whose application was rejected, refund shall be made by the relevant Underwriter by making the check payment of the Applicant concerned available for his retrieval. With respect to an Applicant whose application has been scaled down, refund shall be made through the issuance by the relevant Underwriter of its own check payable to the order of the Applicant and crossed "Payees' Account Only" corresponding to the amount in excess of the accepted Application. All checks shall be made available for pick-up by the Applicant concerned at the office of the relevant Underwriter to whom the rejected or scaled down Application was submitted within ten (10) Banking Days after the last day of the Offer Period. The Issuer shall not be liable in any manner to the Applicant for any check payment corresponding to any rejected or scaled-down application which is not returned by the relevant Underwriter; in which case, the Underwriter concerned shall be responsible directly to the Applicant for the return of the check or otherwise the refund of the payment.

Payments

The Philippine Depository & Trust Corporation is the paying agent (the "Paying Agent") for the Bonds. The Paying Agent shall open and maintain a Payment Account, which shall be operated solely and exclusively by the said Paying Agent in accordance with the Registry and Paying Agency Agreement, provided that beneficial ownership of the Payment Account shall always remain with the Bondholders. The Payment Account shall be used exclusively for the payment of the relevant interest and principal on each Payment Date.

The Paying Agent shall maintain the Payment Account for six (6) months from Maturity Date or date of early redemption. Upon closure of the Payment Account, any balance remaining in such Payment Account shall be returned to the Issuer and shall be held by the Issuer in trust and for the irrevocable benefit of the Bondholders with unclaimed interest and principal payments.

Secondary Market

STI ESG intends to list the Bonds at the PDEX. The Issuer may purchase the Bonds at any time in the open market or by tender or by contract at the best available price under prevailing market conditions, in accordance with PDEX Rules and/or the SRC, as may be amended from time to time, without any obligation to make pro rata purchases from all Bondholders. Bonds so purchased shall be redeemed and cancelled and may not be re-issued.

Registry of Bondholders

The Bonds shall be issued in scripless form and will be eligible for trading under the scripless book-entry system of PDTC. Master Certificates of Indebtedness representing the Bonds sold in the Offer shall be issued to and registered in the name of the Trustee, on behalf of the Bondholders.

Legal title to the Bonds shall be shown in the Registry Book to be maintained by the Registrar. Initial placement of the Bonds and subsequent transfers of interests in the Bonds shall be subject to applicable Philippine selling restrictions prevailing from time to time. STI ESG will cause the Registry Book to be kept at the specified office of the Registrar. The names and addresses of the Bondholders and the particulars of the Bonds held by them and of all transfers of Bonds shall be entered into the Registry Book.

Description and Terms and Conditions of the Bonds

The following does not purport to be a complete listing of all the rights, obligations, or privileges of the Bonds. Some rights, obligations, or privileges may be further limited or restricted by other documents. Prospective investors are enjoined to carefully review the Articles of Incorporation, By-Laws, and resolutions of the Board of Directors and Shareholders of STI ESG, the information contained in this Prospectus, the Trust Agreement, Registry and Paying Agency Agreement, and other agreements relevant to the Offer.

The issue of up to PhP5,000,000,000.00 aggregate principal amount of Bonds, in two (2) series; Series 7Y and Series 10Y, respectively, in one or more tranches was authorized by a resolution of the Board of Directors of the Issuer dated 8 December 2016. Three Billion Pesos (PhP3,000,000,000.00) shall be issued for the first tranche. The Company has no outstanding bonds prior to the Offer of the Bonds.

The Bonds shall be constituted by a Trust Agreement executed on 10 March 2017 entered into between the Issuer and the Trustee, which term shall, wherever the context permits, include all other persons or companies for the time being acting as trustee or trustees under the Trust Agreement. The description of the terms and conditions of the Bonds set out below includes summaries of, and is subject to, the detailed provisions of the Trust Agreement.

The Registry and Paying Agency Agreement executed on 10 March 2017 in relation to the Bonds between the Issuer, and Philippine Depository & Trust Corporation as paying agent (the "Paying Agent") and as registrar (the "Registrar").

The Bonds shall be offered and sold through a general public offering in the Philippines, and issued and transferable in minimum principal amounts of Fifty Thousand Pesos (PhP50,000.00) and in multiples of Ten Thousand Pesos (PhP10,000.00) thereafter, and traded in denominations of Ten Thousand Pesos (PhP10,000.00) in the secondary market.

The Series 7Y Bonds and 10Y Bonds shall mature on 23 March 2024 and 23 March 2027, respectively, unless earlier redeemed by the Issuer pursuant to the terms thereof and subject to the provisions on redemption and payment below.

The Paying Agent and Registrar has no interest in or relation to STI ESG which may conflict with its role as Registrar for the Offer. The Trustee has no interest in or relation to STI ESG which may conflict with the performance of its functions as Trustee.

Copies of the Trust Agreement and the Registry and Paying Agency Agreement are available for inspection during normal business hours at the specified offices of the Trustee. The Bondholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Agreement and are deemed to have notice of those provisions of the Registry and Paying Agency Agreement applicable to them.

Form and Denomination

The Bonds are in scripless form, and shall be issued in denominations of Fifty Thousand Pesos (PhP50,000.00) each as a minimum and in multiples of Ten Thousand Pesos (PhP10,000.00) thereafter and traded in denominations of Ten Thousand Pesos (PhP10,000.00) in the secondary market.

Title

Legal title to the Bonds shall be shown in the Registry Book maintained by the Registrar. A notice confirming the principal amount of the Bonds purchased by each applicant in the Offering shall be issued by the Registrar to all Bondholders following the Issue Date. Upon any assignment, title to the Bonds shall pass by recording of the transfer from the transferor to the transferee in the electronic Registry Book maintained by the Registrar. Settlement in respect of such transfer or change of title to

the Bonds, including the settlement of any cost arising from such transfers, including, but not limited to, documentary stamps taxes, if any, arising from subsequent transfers, shall be for the account of the relevant Bondholder.

Bond Rating

Philippine Rating Services Corporation (“PhilRatings”) assigned an Issue Credit Rating of **PRS Aa** for STI ESG’s proposed bond issue amounting to PhP3 Billion. Obligations rated PRS Aa are of high quality and are subject to very low credit risk.

According to PhilRatings press release dated January 23, 2017, STI ESG’s capacity to meet its financial commitment on the obligation is extremely strong. PRS Aa is the second highest rating category on PhilRatings’ existing credit rating scale.

PhilRatings has likewise assigned a Rating Outlook of Stable to STI ESG’s credit rating for this proposed debt issue. An Outlook is an indication as to the possible direction of any rating change within a one-year period and serves as a further refinement to the assigned credit rating for the guidance of investors, regulators, and the general public. A Stable Outlook is defined as: “The rating is likely to be maintained or to remain unchanged in the next 12 months.”

PhilRatings’ ratings are based on available information and projections at the time that the rating process was ongoing. PhilRatings shall continuously monitor developments relating to STI ESG and may change the rating at any time, should circumstances warrant a change.

Transfer of Bonds

Registry Book

The Issuer shall cause the Registry to be kept by the Registrar, in electronic form. The names and addresses of the Bondholders and the particulars of the Bonds held by them and of all transfers of Bonds shall be entered into the Registry Book. As required by Circular No. 428-04 issued by the Bangko Sentral ng Pilipinas, the Registrar shall send each Bondholder, in the mode elected by such Bondholder in the Application to Purchase or the Registration Form, a written statement of registry holdings at least quarterly (at the cost of the Issuer) and a written advice confirming every receipt or transfer of the Bonds that is effected in the Registrar’s system (at the cost of the relevant Bondholder). Such statement of registry holdings shall serve as the confirmation of ownership of the relevant Bondholder as of the date thereof. Any requests of Bondholders for certifications, reports or other documents from the Registrar, except as provided herein, shall be for the account of the requesting Bondholder. No transfers of the Bonds may be made during the period commencing on a Record Date as defined in the section on “Interest Payment Date” on page 58 of this Prospectus.

Transfers; Tax Status

Transfers across tax categories shall not be allowed except on Interest Payment Dates that fall on a business day. Restricted transfers include, but are not limited to, transfers between taxable and non-taxable entities, between taxable entities of different tax categories (where tax-withheld entities with different final withholding tax rates (e.g. 20%, 25%, 30%) are considered as belonging to different tax categories), or between parties who claim the benefit of a tax treaty; provided, however, that transfers from a tax-exempt category to a taxable tax category on a non-Interest Payment Date shall be allowed using the applicable tax-withheld series name to ensure that the computation is based on the final withholding tax rate of the taxable party to the trade. For such transactions, the tax-exempt entity shall be treated as belonging to the same tax category as its taxable counterpart for the interest period within which such transfer occurred.

A Bondholder claiming tax-exempt status is required to submit a written notification of the sale or purchase to the Trustee and the Registrar, including the tax status of the transferor or transferee, as

appropriate, together with the supporting documents specified under the Registry and Paying Agency Agreement upon submission of the account opening documents to Registrar.

Transfers taking place in the Register of Bondholders after the Bonds are listed on PDEX shall be allowed between tax-exempt and non tax-exempt entities without restriction and observing the tax exemption of tax-exempt entities, if and/or when so allowed under and in accordance with the relevant rules, conventions, and guidelines of PDEX and PDTC.

Secondary Trading of the Bonds

The Issuer intends to list the Bonds at PDEX for secondary market trading or such other securities exchange as may be licensed as such by the SEC on which the trading of debt securities occurs. Secondary market trading in PDEX shall follow the applicable PDEX rules, conventions, and guidelines. Secondary market trading in PDEX shall follow the applicable PDEX rules, conventions, and guidelines governing trading and settlement between bondholders of different tax status and shall be subject to the relevant fees of PDEX and PDTC. Upon listing of the Bonds with PDEX, investors shall course their secondary market trades through PDEX Brokering Participants for execution in the PDEX Public Market Trading Platform in accordance with PDEX Trading Rules, Conventions, and Guidelines, and shall settle such trades on a Delivery versus Payment (DVP) basis in accordance with PDEX Settlement Rules and Guidelines. The PDEX rules and conventions are available in the PDEX website (www.pds.com.ph). An Investor Frequently Asked Questions (FAQ) discussion on the secondary market trading, settlement, documentation and estimated fees are also available in the PDEX website.

Ranking

The Bonds constitute direct, unconditional, unsecured, and unsubordinated Peso denominated obligations of the Issuer and shall rank pari passu and rateably without any preference or priority amongst themselves and at least pari passu with all other present and future unsecured and unsubordinated obligations of the Issuer, other than (i) obligations preferred by the law, and (ii) any obligation incurred by the Issuer pursuant to Section 6.01 (n) of the Trust Agreement or as may be allowed by the Trust Agreement.

Interest

Interest Payment Dates

The Series 7Y Bonds bear interest on its principal amount from and including Issue Date at the rate of 5.8085% p.a., payable quarterly, March 23, June 23, September 23, and December 23 of each year for each Interest Payment Date at which the Bonds are outstanding, or the subsequent Business Day, without adjustment, if such Interest Payment Date is not a Business Day.

Meanwhile, the Series 10Y Bonds shall bear interest on its principal amount from and including its Issued Date at the rate of 6.3756% p.a., payable quarterly, March 23, June 23, September 23, and December 23 of each year for each Interest Payment Date at which the Bonds are outstanding, or the subsequent Business Day, without adjustment, if such Interest Payment Date is not a Business Day.

The last Interest Payment Dates of the Bonds shall fall on the respective Maturity Dates of each series.

The cut-off date in determining the existing Bondholders entitled to receive interest or principal amount due shall be the day two (2) Business Days prior to the relevant Interest Payment Date (the "Record Date"), which shall be the reckoning day in determining the Bondholders entitled to receive interest, principal or any other amount due under the Bonds. No transfers of the Bonds may be made during this period intervening between and commencing on the Record Date and the relevant Interest Payment Date.

The following were used as basis for determining the Interest Rate:

1. The final Interest Rate will be the sum of: (a) the relevant benchmark rate as defined below and (b) the final spread;
2. The **Benchmark Rate** is defined as:
 - i. The simple average of seven (7) year and ten (10) year PDST-R2 “Done” benchmark rates for the Series 7Y and Series 10Y bonds, respectively, for the three (3) consecutive business day period ending on and including the Interest Rate Setting Date, provided that there should be at least two (2) “Done” rates for the applicable PDST-R2 rate during the relevant three (3) business day period.
 - ii. If the condition set out in (i) is not met, the Benchmark Rate shall be computed using:
 - a. **Series 7Y Bonds:** the simple average of the interpolated seven (7) year rate using the “Done” R2 rates of FXTN 7-58 and FXTN 10-60 for the relevant three (3) business day period, provided that for at least two (2) business days within such period, there is a “Done” R2 rate for each government security on the same day;
 - b. **Series 10Y Bonds:** the simple average of the interpolated ten (10) year rate using the “Done” R2 rates of FXTN 10-60 and FXTN 20-17 for the relevant three (3) business day period, provided that for at least two (2) business days within such period, there is a “Done” R2 rate for each government security on the same day;
 - iii. In the event that the conditions set out in (i) and (ii) are not met, then the Benchmark Rate shall be computed using:
 - a. **Series 7Y Bonds:** The interpolated seven (7) year rate using the “Done” R2 rates of FXTN 7-58 and FXTN 10-60 for the relevant three (3) business day period, provided that for at least one (1) business day within such period, there is a “Done” R2 rate for each government security on the same day;
 - b. **Series 10Y Bonds:** The interpolated ten (10) year rate using the “Done” R2 rates FXTN 10-60 and FXTN 20-17 for the relevant three (3) business day period, provided that for at least one (1) business day within such period, there is a “Done” R2 rate for each government security on the same day;

Interest Accrual

Each Bond shall cease to bear interest from and including the Maturity Date, as defined in the discussion on “Final Redemption” on page 59 of this Prospectus, unless, upon due presentation, payment of the principal in respect of the Bond then outstanding is not made, is improperly withheld or refused, in which case the Penalty Interest (see “Penalty Interest” on page 66 of this Prospectus) shall apply.

Determination of Interest Amount

The interest shall be calculated on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed on the basis of a month of 30 days.

Redemption and Purchase

Final Redemption

Unless previously purchased and cancelled, the Bonds shall be redeemed at par or 100% of face value on the respective Maturity Dates. However, payment of all amounts due on such date may be made by the Issuer through the Paying Agent, without adjustment, on the succeeding Business Day if the Maturity Date is not a Business Day.

Optional Redemption

The Issuer shall have the option, but not the obligation, to redeem in whole (and not in part), the outstanding Bonds before the relevant Maturity Date and on each of the relevant dates indicated below. The amount payable to the Bondholders upon the exercise of the Early Redemption Option by the Issuer shall be calculated, based on the principal amount of Bonds being redeemed, as the sum of: (i) accrued interest computed from the last Interest Payment Date up to the relevant Early Redemption Option Date; and (ii) the product of the principal amount of the Bonds being redeemed and the Early Redemption Price in accordance with the following schedule:

	Early Redemption Option Dates	Early Redemption Price
Series 7Y (due 2024)	On the 3 rd month after the 5 th anniversary of Issue Date	102.0%
	On the 6 th anniversary of Issue Date	101.0%
Series 10Y (due 2027)	On the 7 th anniversary of Issue Date	102.0%
	On the 8 th anniversary of Issue Date	101.5%
	On the 9 th anniversary of Issue Date	101.0%

The Issuer shall give not less than thirty (30) nor more than sixty (60) days prior written notice of its intention to redeem the Bonds, which notice shall be irrevocable and binding upon the Issuer to effect such early redemption of the Bonds on the Early Redemption Date stated in such notice.

Redemption for Tax Reasons

If payments under the Bonds become subject to additional or increased taxes other than the taxes and rates of such taxes prevailing on the Issue Date as a result of certain changes in law, rule or regulation, or in the interpretation thereof, and such additional or increased rate of such tax cannot be avoided by use of reasonable measures available to the Issuer, the Issuer may redeem the Bonds in whole, but not in part, on any Interest Payment Date (having given not more than 60 nor less than 30 days' notice) at par plus accrued interest, subject to the requirements of applicable law.

Redemption due to Change in Law

The Company may also redeem the Bonds, in whole (not in part), at any time having given not less than 30 nor more than 60 days' written notice prior to the intended date of redemption, such notice to be deemed irrevocable upon issuance thereof, if any Change in Law (as defined below) will materially and adversely affect the ability of the Issuer to comply with its obligations under the Bonds or the Trust Agreement or the financial position or operations of the Issuer.

A change in law or circumstances ("Change in Law") as it refers to the obligation of the Issuer and to the rights and interests of the Bondholders and the Bonds shall occur if:

- a. Any government and/or non-government consent, license, authorization, registration or approval now or hereafter necessary to enable the Issuer to comply with its obligations under the Trust Agreement or the Bonds shall be modified, withdrawn or withheld in a manner which shall materially and adversely affect the ability of the Issuer to comply with such obligations.
- b. Any provision of the Trust Agreement or any of the related documents is or shall become, for any reason, invalid, illegal or unenforceable to the extent that it shall become for any reason unlawful for the Issuer to give effect to its rights or obligations thereunder, or to enforce any provisions of the Trust Agreement or any of the related documents in whole or in part; or any law shall be introduced to prevent or restrain the performance by the parties of their obligations under the Trust Agreement or any other related documents.

Purchase and Cancellation

Purchase and Cancellation

The Issuer may purchase the Bonds at any time in the open market or by tender or by contract at the best available price under prevailing market conditions, in accordance with PDEX Rules and/or the SRC, as may be amended from time to time, without any obligation to make pro rata purchases from all Bondholders. Bonds so purchased shall be redeemed and cancelled and may not be re-issued. Upon listing of the Bonds on PDEX, the Issuer shall disclose any such transactions in accordance with the applicable PDEX disclosure rules.

Payments

The principal of, interest on, and all other amounts payable on the Bonds shall be paid to the Bondholders by crediting of the settlement accounts designated by each of the Bondholders. The principal of, and interest on, the Bonds shall be payable in Philippine Pesos, net of final taxes and fees (if any). STI ESG shall ensure that so long as any of the Bonds remains outstanding, there shall at all times be a Paying Agent for the purposes of the Bonds. STI ESG may terminate the appointment of the Paying Agent, as provided in the Registry and Paying Agency Agreement. In the event the appointed office of any institution shall be unable or unwilling to continue to act as the Paying Agent, STI ESG shall appoint the Makati City office of such other leading institution in the Philippines authorized to act in its place. The Paying Agent may not resign its duties or be removed without a successor having been appointed.

Payment of Additional Amounts - Taxation

Interest income on the Bonds is subject to a final withholding tax at rates of between twenty percent (20.0%) and thirty percent (30.0%) depending on the tax status of the relevant Bondholder under relevant law, regulation or tax treaty. Except for such final withholding tax and as otherwise provided, all payments of principal and interest are to be made free and clear of any deductions or withholding for or on account of any present or future taxes or duties imposed by or on behalf of Republic of the Philippines, including, but not limited to, issue, registration or any similar tax or other taxes and duties, including interest and penalties, if any. If such taxes or duties are imposed, the same shall be for the account of the Issuer; provided however that, the Issuer shall not be liable for the following:

- a. The applicable final withholding tax applicable on interest earned on the Bonds prescribed under the Tax Code, as amended and its implementing rules and regulations as maybe in effect from time to time. An investor who is exempt from the aforesaid withholding tax, or is subject to a preferential withholding tax rate shall be required to submit the following requirements to the Registrar, subject to acceptance by the Issuer as being sufficient in form and substance: (i) certified true copy of the current, valid, and subsisting tax exemption certificate, ruling or opinion issued by the BIR confirming the exemption or preferential rate; (ii) a duly notarized undertaking, in the prescribed form, declaring and warranting its tax exempt status or preferential rate entitlement, undertaking to immediately notify the Issuer of any suspension or revocation of the tax exemption certificates or preferential rate entitlement, and agreeing to indemnify and hold the Issuer and the Registrar free and harmless against any tax assessments, claims, actions, suits, and liabilities resulting from the non-withholding of the required tax; and (iii) such other documentary requirements as may be required under the applicable regulations of the relevant taxing or other authorities which for purposes of claiming tax treaty withholding rate benefits, shall include evidence of the applicability of a tax treaty, such as proof of filing of a tax treaty relief application with the BIR ITAD prior to the first taxable event, and consularized proof of the Bondholder's legal domicile in the relevant treaty state, and confirmation acceptable to the Issuer that the Bondholder is not doing business in the Philippines; provided further that, all sums payable by the Issuer to tax exempt entities shall be paid in full without deductions for taxes, duties assessments or government charges subject to the submission by the Bondholder claiming the benefit of any exemption of reasonable evidence of such exemption to the Registrar, as are acceptable to the Issuer;
- b. Gross Receipts Tax under Section 121 of the Tax Code;

- c. Taxes on the overall income of any securities dealer or Bondholder, whether or not subject to withholding; and
- d. Value Added Tax ("VAT") under Sections 106 to 108 of the Tax Code, and as amended by RA No. 9337. Documentary stamp tax for the primary issue of the Bonds and the execution of the Bond Agreements, if any, shall be for the Issuer's account.

Financial Ratios

The Issuer shall maintain and observe the following financial ratios:

- a. a Debt Service Coverage Ratio of not less than 1.05:1; and
- b. a maximum Debt-to-Equity Ratio of 1.5:1.

Negative Covenants

So long as any Bond or coupon remains outstanding (as defined in the Trust Agreement) the Issuer will not:

- a. directly or indirectly, incur or suffer to exist, or permit any Subsidiary to directly or indirectly incur or suffer to exist, any Lien other than Permitted Liens upon any assets and revenues, present and future, of the Issuer or any of its Subsidiaries, as the case may be, or
- b. incur Indebtedness or enter into, or permit any Subsidiary to incur Indebtedness or enter into, any loan facility agreement secured by or to be secured by a Lien upon any assets and revenues, present and future, whether registered or unregistered, of the Issuer or any Subsidiary, as the case may be, unless the Issuer or a Subsidiary has made or will make effective provisions, satisfactory to the Bondholders in the latter's absolute discretion, whereby the Lien thereby created will secure, on an equal first ranking and ratable basis, any and all the obligations of the Issuer hereunder and such other Indebtedness which such Lien purports to secure; provided, that the foregoing restriction shall not apply to Permitted Liens;
- c. engage in any business, or amend its articles of incorporation to authorize it to engage in any business, which is not presently authorized under its articles of incorporation;
- d. effect a material change in its management or, except if the Issuer is the surviving entity and provided that such event will have no material and adverse effect on the financial position of the Issuer, effect any merger or consolidation;
- e. sell, transfer, convey, lend or otherwise dispose of all or substantially all of its assets or cause any of its Subsidiaries to sell, transfer, convey, lend or otherwise dispose of all or substantially all of its assets;
- f. assign, transfer or otherwise convey any right to receive any of its income or revenues unless in its ordinary course of business, or unless otherwise required by applicable law;
- g. except to the extent required under applicable law, declare or pay any dividends (other than stock dividends): (i) during the subsistence of an Event of Default, or (ii) if such declaration or payment would result in an Event of Default;
- h. acquire treasury shares or decrease or reduce its authorized capital stock: (i) during the subsistence of an Event of Default, or (ii) if such acquisition, decrease or reduction would result in an Event of Default;

- j. except for existing management contracts with STI Holdings, enter into any management contracts, profit-sharing or any similar contracts or arrangements whereby its business or operations are managed by, or its income or profits are, or might be shared with, another person, firm or company, which management contracts, profit-sharing or any similar contracts or arrangements can have a Material Adverse Effect on the Issuer's ability to perform its material obligations under the Bonds and Transaction Documents.

The above covenants of the Issuer shall survive the issuance of the Bonds.

Events of Default

Each of the following events shall constitute an "Event of Default" under the Bonds:

- a. *Payment Default.* The Issuer fails to pay any of the principal, interest, and fees, or any other sum payable by the Issuer under the Bonds, as and when due and payable at the place and in the currency in which it is expressed to be payable, except that the late payment of principal, interest and fees, or any other sum payable by the Issuer under the Bonds arising solely due to a technical reason not attributable to the fault or negligence of the Issuer and affecting the transfer of funds, despite timely instruction having been given by the Issuer, shall not result in an Event of Default, provided that such non-payment or late payment due to technical reason shall be remedied within three (3) Business Days;
- b. *Representation/Warranty Default.* Any representation or warranty made or repeated by the Issuer in this Agreement is incorrect or misleading in any material respect when made or deemed to have been made or repeated, and the same is not cured within a period of thirty (30) calendar days (or such longer period as the Majority Bondholders shall approve) after written notice of such failure given by the Trustee is received by Issuer.
- c. *Financial Covenant Default.* The Issuer fails to maintain the financial ratios provided in page 62 of this Prospectus and remains unremedied for ten (10) Business Days.
- d. *Other Provisions Default.* The Issuer fails to perform or comply with any term, obligation or covenant contained in Terms and Conditions and the Trust Agreement, or in any other document issued pursuant thereto or hereto or otherwise in connection therewith or herewith, and such failure is not remediable or, if remediable (in the reasonable opinion of the Trustee), shall continue unremedied during the applicable grace period or, in the absence of such grace period, within a period of thirty (30) days after written notice of such failure given by the Trustee is received by the Issuer, provided, however, that no additional grace period shall apply to the Events of Default .
- e. *Cross-Default.* The Issuer or any of its Subsidiaries violates any material term or condition of any contract executed by it with any bank, financial institution, or other person, corporation or entity for the payment of borrowed money which constitutes default under said contract, or in general, violates any, law or regulation which violation, if remediable, is not remedied by the Issuer or any of its Subsidiaries within fifteen (15) Business Days from receipt of notice by the Trustee provided that, no event of default shall occur under this paragraph unless the aggregate amount of Indebtedness in respect of which one or more of the events above mentioned has/have occurred equals or exceeds Three Hundred Million Pesos (PhP300,000,000.00).
- f. *Insolvency Default.* The Issuer, or any of its Subsidiaries, which at such relevant time contributes at least ten percent (10%) to the consolidated revenues of the Issuer, as shown in the latest Audited Consolidated Financial Statements, becomes insolvent or is unable to pay its Indebtedness when due or commits or suffers any act of bankruptcy, which term shall include: (i) the filing of a petition, by or against the Issuer, in any bankruptcy, insolvency, administration, suspension of payment, rehabilitation, reorganization (other than a labor or management reorganization), winding-up, dissolution, moratorium or liquidation proceeding

of the Issuer, or any other proceeding analogous in purpose and effect, unless for a petition filed against the Issuer, such is contested in good faith by the Issuer in appropriate proceedings and dismissed by the relevant court within 60 calendar days from the filing of such petition (or such longer period as the Majority Bondholders shall approve); (ii) the making of a general assignment by the Issuer for the benefit of the creditors; (iii) the admission in writing by the Issuer, through its President, Chief Executive Officer, Chief Operating Officer, Chief Finance Officer, of its general inability to pay its Indebtedness; (iv) the entry of any order of judgment of any competent court, tribunal or administrative agency or body confirming liquidation of the Issuer, or (v) the lawful appointment of a receiver or trustee to take possession of a substantial portion of the properties of the Issuer, unless contested in good faith by the Issuer and withdrawn or rescinded within sixty (60) calendar days from the taking of such action.

- g. *Voluntary Closure Default.* The Issuer voluntarily suspends or ceases operations of a substantial portion of its business for a continuous period of thirty (30) calendar days except when due to fortuitous events or force majeure.
- h. *Expropriation Default.* Any act or deed or judicial or administrative proceedings in the nature of an expropriation, confiscation, nationalization, acquisition, seizure, sequestration or condemnation of or with respect to all or at least seventy (70%) of the value of the Issuer's Total Consolidated Assets as shown in the latest Audited Consolidated Financial Statements shall be undertaken or instituted by any Governmental Authority, and such act, deed or proceeding shall continue undismissed or unstayed for a period of more than thirty (30) calendar days.
- i. *Judgment Default.* A final and executory judgment, decree or order for the payment of money, damages, fine or penalty or its equivalent shall be rendered against the Issuer which, together with all other judgments against the Issuer then outstanding and unsatisfied, exceeds Three Hundred Million Pesos (PhP300,000,000.00) and which may in the reasonable opinion of the Trustee have a Material Adverse Effect, and the Issuer has failed to demonstrate to the reasonable satisfaction of the Trustee within thirty (30) days of the judgment, decree or order being entered that the judgment, decree or order will be satisfied, discharged or stayed within thirty (30) calendar days of the judgment, decree or order being entered, or (ii) is not paid, discharged, stayed or fully bonded within thirty (30) calendar days after the date when payment of such judgment, decree or order is due.
- j. *Writ and Similar Process Default.* An attachment or garnishment of or levy upon any of the properties of the Issuer or its Subsidiaries which might have a Material Adverse Effect is made and is not discharged or stayed within thirty (30) calendar days of having been so imposed.
- k. *Closure Default.* Any approval issued by a Governmental Authority now or hereafter necessary to enable the Issuer or any of its Subsidiaries to comply with its obligations under this Agreement shall be modified, withdrawn, withheld, revoked, cancelled, or otherwise terminated in a manner which, in the reasonable opinion of the Trustee, would have a Material Adverse Effect on the Issuer or any of its Subsidiaries and the same remains for a continuous period of thirty (30) calendar days.
- l. *Cancellation of Licenses, Permits, etc.* Any of the licenses, permits, rights, options, or privileges presently or hereafter enjoyed, utilized or required in the conduct of the business or operations of the Issuer shall be revoked, cancelled, or otherwise terminated, or the free and continued use and exercise thereof shall be curtailed or prevented, in each case in such manner as in a manner which, in the reasonable opinion of the Trustee, would have a Material Adverse Effect on the Issuer or any of its Subsidiaries and the same remains for a continuous period of thirty (30) calendar days.

- m. *Change in Control.* The Tanco Group, either directly or indirectly, ceases to control the Issuer.

Consequences of Default

Declaration

- a. If any one or more of the Events of Default shall occur and be continuing, either the Trustee, upon the written direction of the Majority Bondholders, by notice in writing delivered to the Issuer, or the Majority Bondholders, by notice in writing delivered to the Issuer and the Trustee, may declare the principal of the Bonds then outstanding, including all interest accrued and unpaid thereon and all amounts due thereunder, to be due and payable immediately, anything contained in the Trust Agreement or in the Bonds to the contrary notwithstanding.
- b. The provision in sub-paragraph (a) above, however, is subject to the condition that the Majority Bondholders, by written notice to the Issuer and to the Trustee, may rescind and annul such declaration made by the Trustee pursuant to a consequence of default and its consequences, upon such terms, conditions and agreements, if any, as they may determine including, in connection with a Cross Default, the fact that the non-payment of the obligation is contested in good faith by the Issuer; provided, that, no such rescission and annulment shall extend to or shall affect any subsequent default or shall impair any right consequent thereto. Any such waiver shall be conclusive and binding upon all the Bondholders and upon all future holders and owners of such Bonds, or of any Bond issued in lieu thereof or in exchange therefor, irrespective of whether or not notation of such waiver is made upon the Bonds.
- c. At any time after an Event of Default shall have occurred, the Trustee may:
- i. by notice in writing to the Issuer, the Paying Agent and the Registrar, require the Paying Agent and Registrar to:
 - act thereafter as agents of the Bondholders represented by the Trustee on the terms provided in the Registry and Paying Agency Agreement (with consequential amendments as necessary and save that the Trustee's liability under the provisions thereof for the indemnification, remuneration and payment of out-of-pocket expenses of the Paying Agent and the Registrar shall be limited to amounts for the time being held by the Trustee pursuant to the Trust Agreement in relation to the Bonds and available to the Trustee for such purpose) and thereafter to hold all sums, documents and records held by them in respect of the Bonds on behalf of the Trustee; and/or
 - deliver all evidence of the Bonds and all sums, documents and records held by them in respect of the Bonds to the Trustee or as the Trustee shall direct in such notice; provided, that, such notice shall be deemed not to apply to any document or record which the Paying Agent or Registrar is not obliged to release by any law or regulation; and
 - ii. by notice in writing to the Issuer, require the Issuer to make all subsequent payments in respect of the Bonds to the order of the Trustee and with effect from the issue of any such notice until such notice is withdrawn.

Notice of Default

The Trustee shall, within five (5) days after receiving notice, or having knowledge, of the occurrence of an Event of Default give to the Bondholders written notice of any such Event of Default unless the same shall have been cured before the giving of such notice; provided, that, in the case of a Payment Default,

the Trustee shall, after having been notified thereof by the Paying Agent, immediately notify the Bondholders of the occurrence of such Payment Default. The written notice required to be given to the Bondholders under this Section shall be published in two (2) newspapers of general circulation in Metro Manila, Philippines for two (2) consecutive days, indicating in the published notice that the Bondholders or their duly authorized representatives may obtain an important notice regarding the Bonds at the principal office of the Trustee as indicated in this Agreement upon presentation of sufficient and acceptable identification to the Trustee.

Penalty Interest

In case any amount payable by the Issuer under the Bonds, whether for principal, interest, or otherwise, is not paid on due date, the Issuer shall, without prejudice to its obligations to pay the said principal, interest and other amounts, pay a penalty interest on the defaulted amount(s) at the rate of twelve percent (12.0%) per annum (the "Penalty Interest") from the time the amount fell due until it is fully paid in accordance with the Terms and Conditions and the Trust Agreement.

Payments in the Event of Default

The Issuer covenants that upon the declaration of any Event of Default, the Issuer will pay to the Bondholders, through the Paying Agent, the whole amount which shall then have become due and payable on all such outstanding Bonds with interest at the rate borne by the Bonds on the overdue principal and with Penalty Interest, where applicable, and in addition thereto, the Issuer will pay to the Trustee such further amounts as shall be determined by the Trustee to be sufficient to cover the cost and expenses of collection, including reasonable compensation to the Trustee, its agents, attorneys and counsel, and any reasonable expenses or liabilities incurred without negligence or bad faith by the Trustee hereunder.

Upon the declaration of an Event of Default and in accordance with the requirements of this Agreement, the Majority Bondholders shall have the right, but not the obligation, to require the Issuer to redeem the Bonds in full, by payment of the amounts stated above, plus the principal amount, by delivery of the relevant evidence of the Bonds to the Trustee.

Application of Payments

Any money collected by the Trustee in case of any Event of Default and any other funds held by it, subject to any other provision of the Trust Agreement relating to the disposition of such money and funds, shall be applied by the Trustee in the order of preference as follows:

First: To the payment of the costs, expenses, fees and other charges of collection, including reasonable compensation to the Trustee, Paying Agent, Registrar, and each such person's agents, attorneys and counsel, and all reasonable expenses and liabilities incurred or disbursement made by the Trustee, Paying Agent and Registrar without negligence or bad faith.

Second: To the payment of Penalty Interest.

Third: To the payment of the interest, in the order of the maturity of such interest.

Fourth: To the payment of the principal amount of the outstanding Bonds due and payable.

Fifth: The remainder, if any, shall be paid to the Issuer, its successors or assigns, or to whosoever may be lawfully entitled to receive the same, or as a court of competent jurisdiction may direct.

Except for any interest and principal payments, all disbursements of the Paying Agent in relation to the Bonds shall require the conformity of the Trustee.

Remedies

All remedies conferred by the Trust Agreement to the Trustee and the Bondholders shall be cumulative and not exclusive and shall not be so construed as to deprive the Trustee or the Bondholders of any legal remedy by judicial or extrajudicial proceedings appropriate to enforce the conditions and covenants of in the Trust Agreement.

No delay or omission by the Trustee or by any Bondholder to exercise any right or power arising from or on account of any default hereunder shall impair any such right or power, or shall be construed to be a waiver of any such default or an acquiescence thereto, and every power and remedy given in the Trust Agreement to the Trustee or to the Bondholder may be exercised from time to time and as often as may be necessary or expedient.

Ability to File Suit

No Bondholder shall have any right by virtue or by availing of any provision of the Trust Agreement to institute any suit, action or proceeding for the collection of any sum due from the Issuer hereunder on account of principal or interest, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless (1) such Bondholder previously shall have given to the Trustee written notice of an Event of Default and of the continuance thereof and the related request for the Trustee to convene a meeting of the Bondholders to take up matters related to their rights and interests under the Bonds, and (2) the Majority Bondholders shall have decided and made a written request upon the Trustee to institute such suit, action or proceeding in the latter's name, and (3) the Trustee for sixty (60) days after receipt of such notice and request shall have neglected or refused to institute any such suit, action or proceeding, and (4) no directions inconsistent with such written request or waiver of default by the Bondholders pursuant to the succeeding section shall have been made, it being understood and intended, and being expressly covenanted by every Bondholder with every other Bondholder and the Trustee, that no one or more Bondholders shall have any right in any manner whatsoever by virtue of or by availing of any provision of the Trust Agreement to affect, disturb or prejudice the rights of the holders of any other such Bonds or to obtain or seek to obtain priority over or preference to any other such holder or to enforce any right under the Trust Agreement, except in the manner herein provided and for the equal, ratable and common benefit of all Bondholders. For the protection and enforcement of the provisions of this Section, each and every Bondholder and the Trustee shall be entitled to such relief as may be afforded by law.

Waiver of Default by Bondholders

The Majority Bondholders may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred upon the Trustee, or the Majority Bondholders may decide for and on behalf of the Bondholders to waive any past default except the Payment Default, Representation Default, Insolvency Default, Closure Default, Judgment Default, and Writ and Similar Process Default, and Closure Default and its consequences. In case of any such waiver, the Issuer, the Trustee and the Bondholders shall be restored to their former positions and rights hereunder, but no such waiver shall extend to any subsequent or other default or impair any right consequent thereto. Any such waiver by the Majority Bondholders shall be conclusive and binding upon all Bondholders and upon all future holders and owners thereof, irrespective of whether or not any notation of such waiver is made upon the certificate representing the Bonds.

Meetings of Bondholders

Meetings

A meeting of Bondholders may be called at any time and from time to time pursuant to the provisions of this Section for the purpose of taking any action authorized to be taken by or on behalf of the holders of any specified aggregate principal amount of Bonds under any other provisions of the Trust Agreement or under applicable law and such other matters related to the rights and interests of the Bondholders under the Bonds.

Notice of Meetings

The Trustee may at any time call a meeting of the Bondholders, or the holders of at least twenty-five percent (25%) of the aggregate outstanding principal amount of Bonds may direct the Trustee to call a meeting of the Bondholders, to take any action specified in herein, to be held at such time and at such place as the Trustee shall determine. Notice of every meeting of Bondholders, setting forth the time and the place of such meeting and the purpose of such meeting in reasonable detail, shall be sent by the Trustee to the Issuer and to each of the registered Bondholders and published in two (2) newspapers of general circulation in Metro Manila, Philippines not earlier than forty-five (45) days nor later than fifteen (15) days prior to the date fixed for the meeting. All reasonable costs and expenses incurred by the Trustee for the proper dissemination of the notices for the requested meeting shall be reimbursed by the Issuer within ten (10) days from receipt of the duly supported statement of account.

Failure of Trustee to Call a Meeting

In case at any time the Issuer, pursuant to a resolution of its board of directors, or the holders of at least twenty-five percent (25%) of the aggregate outstanding principal amount of the Bonds shall have requested the Trustee to call a meeting of the Bondholders by written request setting forth in reasonable detail the purpose of the meeting, and the Trustee shall not have mailed and published, the notice of such meeting within twenty (20) days after receipt of such request, then the Issuer or the holders of Bonds in the amount above specified may determine the time and place for such meeting and may call such meeting by mailing and publishing notice thereof, and the costs thereof shall be chargeable to the Trustee.

Quorum

The presence of the Majority Bondholders personally or by proxy shall be necessary to constitute a quorum to do business at any meeting of the Bondholders.

Procedure for Meetings

The Trustee shall preside at all the meetings of the Bondholders unless the meeting shall have been called by the Issuer or by the Bondholders, in which case the Issuer or the Bondholders calling the meeting, as the case may be, shall move for the election of the chairman and secretary of the meeting from among the Bondholders then present or represented during the meeting.

Any meeting of the Bondholders duly called pursuant to the provisions of this Section may be adjourned from time to time for a period or periods not to exceed in the aggregate one (1) year from the date for which the meeting shall originally have been called, and the meeting so adjourned may be held on another date without further notice. Any such adjournment may be ordered by persons representing a majority of the aggregate principal amount of the Bonds represented at the meeting and entitled to vote, whether or not a quorum shall be present at the meeting.

Voting Rights

To be entitled to vote at any meeting of the Bondholders, a person shall be a registered holder of the Bonds or a person appointed by an instrument in writing as proxy by any such holder as of the date of such meeting. The only persons who shall be entitled to be present or to speak at any meeting of the Bondholders shall be the persons entitled to vote at such meeting and any representative of the Issuer and its legal counsel.

Voting Requirement

All matters presented for resolution by the Bondholders in a meeting duly called for the purpose shall be decided or approved by the affirmative vote of the majority of the Bondholders present or

represented in a meeting at which there is a quorum, except as otherwise provided in the Trust Agreement.

Any resolution of the Bondholders which has been duly approved with the required number of votes of the Bondholders as herein provided shall be binding upon all the Bondholders and the Trustee as if the votes were unanimous.

Role of the Trustee in Meetings of Bondholders

Notwithstanding any other provisions of the Trust Agreement, the Trustee may make such reasonable regulations as it may deem advisable for any meeting of the Bondholders, in regard to proof of ownership of Bonds, the appointment of proxies by registered holders of Bonds, the election of the chairman and the secretary, the appointment and duties of inspectors of votes, the submission and examination of proxies, certificates and other evidences of the right to vote, and such other matters concerning the conduct of the meeting as it shall deem fit.

Evidence Supporting Bondholders' Action

Wherever in the Trust Agreement it is provided that the holders of a specified percentage of the aggregate outstanding principal amount of Bonds may take any action (including the making of any demand or request, the giving of any notice or consent, or the taking of any other action), the fact that at the time of taking any such action the holders of such specified percentage have joined therein may be evidenced by: (i) any instrument executed by the Bondholders in person or by the agent or proxy appointed in writing; (ii) the duly authenticated record of voting in favor thereof at the meeting of the Bondholders duly called and held in accordance herewith; or (iii) a combination of such instruments and any such record of meeting of the Bondholders.

Duties and Responsibilities of the Trustee

The Trustee shall act as trustee for and in behalf of the Bondholders and as such shall, in accordance with the terms and conditions of the Trust Agreement, monitor the compliance or non-compliance by the Issuer with all its representations and warranties, and the Issuer's observance of all its covenants and performance of all its obligations, under and pursuant to the Trust Agreement. The Trustee shall observe due diligence in the performance of its duties and obligations under the Trust Agreement. For the avoidance of doubt, notwithstanding any actions that the Trustee may take, the Trustee shall remain to be the party responsible to the Bondholders, and to whom the Bondholders shall communicate with in respect to any matters to be taken up with the Issuer.

The Trustee shall have custody of and hold in its name, for and in behalf of the Bondholders, the Master Certificates of Indebtedness for the total issuance of the Bonds.

The Trustee shall promptly and faithfully carry out the instructions or decisions of the Majority Bondholders issued or reached in accordance with the Trust Agreement.

The Trustee shall, from time to time, request the Issuer to submit such certification of its officers, reports of its external auditors, and other documents relating to the Issuer's ability to comply with its obligations under the Bonds and the Trust Agreement, as well as to examine such records of the Issuer as may be related to the Issuer's obligations under the Bonds and the Trust Agreement.

The request shall be reasonable, made not less than seventy-two (72) hours prior to the intended date of examination and shall be in writing to the Issuer which shall include, in reasonable detail, the purpose for such request and the intended use of the requested documents or information. The Issuer may require the Trustee, its directors, officers, employees, representatives, agents, partners, consultants and advisors to hold in confidence such documents and information furnished to the Trustee pursuant to said request or to limit the use thereof for the purpose intended as stated in the request, provided

such limitation shall not apply if in conflict with the duties and responsibilities of the Trustee under any provision of the Trust Agreement.

The Trustee shall, prior to the occurrence of an Event of Default or after the curing of all such defaults which may have occurred, perform only such duties as are specifically set forth in the Trust Agreement. In case of default, the Trustee shall exercise such rights and powers vested in it by the Trust Agreement, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs under similar circumstances.

The Trustee shall inform the Bondholders of any event which has a Material Adverse Effect on the ability of the Issuer to comply with its obligations to the Bondholders, breach of representations and warranties, and Events of Default within a reasonable period from the time that the Trustee learns of such events.

The Trustee shall perform such other powers and functions as provided for elsewhere under the Trust Agreement.

Supplemental Agreements

With the consent of the Majority Bondholders, the Issuer, when authorized by a resolution of its board of directors, and the Trustee may, from time to time and at any time, enter into an agreement or agreements supplemental hereto for the purpose of adding any provision to or changing in any manner or eliminating any of the provisions of the Trust Agreement; provided, however, that no such supplemental agreement shall -

- a. Without the consent of each Bondholder affected thereby:
 - i. extend the fixed maturity of the Bonds, or
 - ii. reduce the principal amount of the Bonds, or
 - iii. reduce the rate or extend the time of payment of interest and principal thereon;
- b. Affect the rights of some of the Bondholders without similarly affecting the rights of all the Bondholders; or
- c. Reduce the percentage required to be obtained of the Bondholders to consent to or approve any supplemental agreement or any waiver provided for in the Trust Agreement without the consent of all the Bondholders.

It shall not be necessary to obtain the consent of the Bondholders under this Section for the purpose of approving the particular form of any proposed supplemental agreement but such consent shall be necessary for the purpose of approving the substance thereof.

Any consent given pursuant to this Section shall be conclusive and binding upon all Bondholders and upon all future holders and owners thereof or of any Bonds issued in lieu thereof or in exchange therefor, irrespective of whether or not any notation of such consent is made upon the Bonds.

Promptly after the execution by the Issuer and the Trustee of any supplemental agreement pursuant to the provisions of this Section, the Issuer shall send a notice to the Bondholders setting forth in general terms the substance of such supplemental agreement. Any failure of the Issuer to send such notice or any defect therein shall not, however, in any way impair or affect the validity of any supplemental agreement.

Miscellaneous

Notice

Any notice or demand authorized by the Trust Agreement to be given to the Issuer and the Trustee shall be sufficiently given for all purposes hereof, if delivered or mailed at their respective addresses mentioned herein or at such address designated by them subsequently in writing.

Notices to the Bondholders shall be sent to their mailing address as set forth in the Registry Book. Except where a specific mode of notification is provided for herein, notices to Bondholders shall be sufficient when made in writing and transmitted in any of the following modes: (i) registered mail; (ii) surface mail; (iii) electronic mail to the email address designated by the Bondholder in the Application to Purchase (iv) by one-time publication in a newspaper of general circulation in the Philippines; or (iv) personal delivery to the address of record in the Registry Book. The Trustee shall rely on the Registry Book provided by the Registrar, in determining the Bondholders entitled to notice.

All notices shall be deemed to have been received (i) ten (10) days from posting if transmitted by registered mail; (ii) fifteen (15) days from mailing, if transmitted by surface mail; (iii) on the date of publication, or (iv) on the date of delivery, for personal delivery or electronic mail, as the case may be.

Binding and Conclusive Nature

All notifications, opinion, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained by the Trustee for the purposes of the provisions of the Trust Agreement, shall (in the absence of willful default, bad faith or manifest error) be binding on the Issuer, and all Bondholders and (in the absence of willful default, bad faith or manifest error) no liability to the Issuer, the Registrar, the Paying Agent or the Bondholders shall attach to the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions under the Trust Agreement.

Dispute Settlement

Any dispute arising out of, or relating to, the Trust Agreement shall be brought before, and each of the Issuer and the Trustee agrees to submit to the jurisdiction of, the proper courts of Makati City, to the exclusion of all other courts and venues of equal and competent jurisdiction, hereby waiving the defense that such action is brought before an inconvenient forum.

No Right to Set-Off

The Trustee shall have no right to apply funds or money of the Issuer on deposit with or in the custody of the Trustee or any of its branches, subsidiaries, or affiliates on reduction of amounts past due under the Trust Agreement.

Governing Law

The Bonds issued hereunder shall be governed by, and construed and interpreted in accordance with, the laws of the Republic of the Philippines.

The Company

The Issuer, STI Education Services Group, Inc. ("STI ESG"), is the largest subsidiary of STI Holdings, a publicly-listed company. The Company is engaged in establishing, maintaining, and operating educational institutions. It derives its main revenues from the tuition and other school fees of its owned schools, and from the royalties and other fees for various educational services of its franchised schools.

At present, STI ESG offers secondary and Tertiary Programs, as well as post-graduate and associate programs. The colleges of STI ESG offer associate/Baccalaureate Degrees and technical/vocational programs in the fields of Information and Communications Technology ("ICT"), Business and Management, Hospitality Management, Tourism Management, Arts and Sciences, Engineering, and Education. These programs are accredited by the Commission on Higher Education ("CHED") and/or the Technical Education and Skills Development Authority ("TESDA"), as may be applicable. Also accredited by TESDA, the education centers of STI ESG offer technical/vocational courses for computer programming, computer technology, multimedia arts, and office administration, among others. In addition, all schools in the STI ESG network have been granted permit by the Department of Education ("DepEd") to offer Senior High School ("SHS").

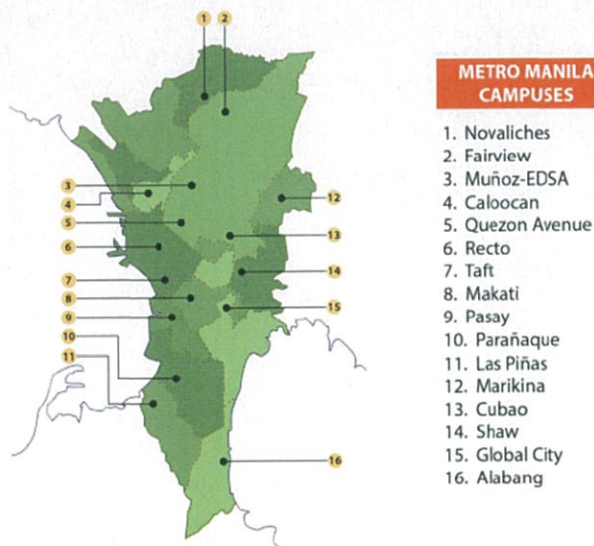
STI ESG Network

The STI ESG network has a total of seventy-six (76) schools nationwide and is comprised of sixty-four (64) STI-Branded Colleges and twelve (12) STI-Branded Education Centers. Likewise, of these seventy-six (76) schools, thirty-two (32) college campuses and five (5) education centers are wholly-owned while thirty-two (32) college campuses and seven (7) education centers are operated by franchisees.

There are currently sixteen (16) campuses in Metro Manila located in the following areas:

Metro Manila (16)

Alabang	Global City	Muñoz-EDSA	Quezon Avenue
Caloocan	Las Piñas	Novaliches	Recto
Cubao	Makati	Parañaque	Shaw
Fairview	Marikina	Pasay	Taft



As a testament to its growing presence nationwide, STI ESG has seventy six (76) schools spread across Luzon, Visayas, and Mindanao.

Northern & Central Luzon (18)

Alaminos	Cauayan	Malolos	Sta. Maria
Angeles	Dagupan	Meycauayan	Tarlac
Baguio	Iligan	San Fernando,	Tuguegarao
Balagtas	La Union	Pampanga	Vigan
Baliuag	Laoag	San Jose, Nueva Ecija	

Southern Luzon (19)

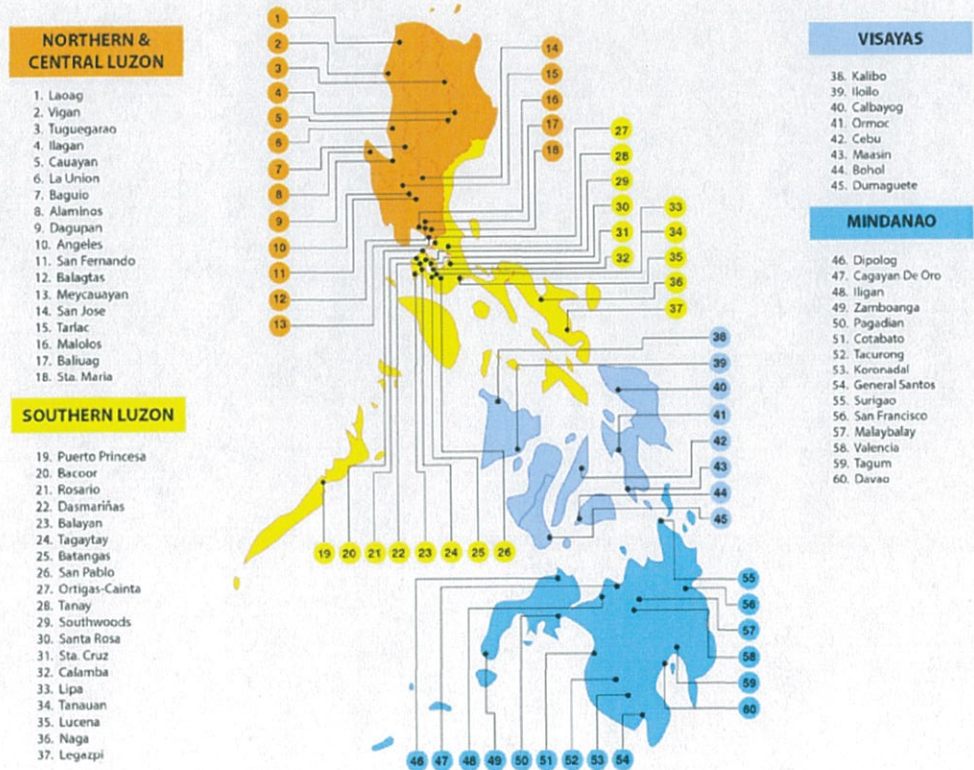
Bacoor	Legazpi	Puerto Princesa	Sta. Cruz
Balayan	Lipa	Rosario	Tagaytay
Batangas	Lucena	San Pablo	Tanauan
Calamba	Naga	Santa Rosa	Tanay
Dasmariñas	Ortigas-Cainta	Southwoods	

Visayas (8)

Bohol	Cebu	Iloilo	Maasin
Calbayog	Dumaguete	Kalibo	Ormoc

Mindanao (15)

Cagayan de Oro	General Santos	Pagadian	Tagum
Cotabato	Iligan	San Francisco	Valencia
Davao	Koronadal	Surigao	Zamboanga
Dipolog	Malaybalay	Tacurong	



Brief History

Established on August 21, 1983, STI ESG began with a goal of training as many Filipinos as possible in computer programming and addressing the information technology (“IT”) education needs of the Philippines. Starting as a training center with only two (2) schools, STI ESG initially offered short-term computer programming courses that were patterned to satisfy the demand of the college graduates and working professionals who wanted to learn more about the emerging computer technology.

Shortly after, STI ESG’s campuses began to grow as it started granting franchises in other locations within Metro Manila and soon expanded to other key areas in Luzon, Visayas, and Mindanao. In the mid 1990’s, STI ESG opened international campuses in Hong Kong, Rome, Milan, Macau, Singapore, Taiwan, and Vietnam. And in 1998, STI ESG had more than 100 campuses across the nation and outside the Philippines. In 2003, the current management decided to focus its attention to the domestic market but continues to study the possibility of going international once again.

Over the years, STI ESG began shifting its focus from short-term courses to college degree programs to adjust to the changing business environment. In 1995, STI ESG was granted a permit by the Commission on Higher Education (“CHED”) to operate colleges and started to roll out four-year college programs starting with the Bachelor’s Degree in Computer Science. STI ESG then slowly diversified its programs beyond Information & Communications Technology by introducing new programs in the fields of Business and Management, Engineering, Healthcare, Hospitality Management, Tourism Management, Arts and Sciences, and Education.

STI ESG embarked on strengthening its geographical presence nationwide as it aggressively constructed improved facilities. More STI ESG schools are now veering away from rented commercial complexes and have moved to bigger and better School-Owned Stand-Alone Campuses that are strategically located. All of the improved campuses house state-of-the-art facilities, spacious classrooms, top-of-the-line simulation laboratories, and recreational facilities conducive for high academic delivery. To date, there are fourteen (14) wholly-owned schools with renovated or newly built facilities. In addition, incentives were offered to franchisees to upgrade their facilities in which twelve (12) of them responded so far.

STI ESG has centralized its efforts into academic quality and started investing on trainings on awareness, documentation, and internal quality audit to achieve the ISO 9001:2008 certification for its Learning Delivery System — composed of the courseware development process, the faculty certification process, and the faculty training process — which was awarded on February 5, 2015 by the ISO certifying body TÜV Rheinland Philippines Inc.

And when the Department of Education (“DepEd”) announced in 2013 the K to 12 program, STI ESG capitalized on its nationwide presence and ample facilities to implement the first-to-market approach of the Senior High School (“SHS”) program. In 2014, DepEd granted permit to offer early implementation of SHS to 92 private schools nationwide, 67 out of 92 schools or 73% are STI ESG schools which made STI ESG the largest pioneer in Senior High School.

Through the consistent efforts of the management, the STI brand has been recognized as a provider of high-quality real life education.

Corporate Structure

The Company has a total Authorized Capital Stock (“ACS”) of Five Billion Pesos (PhP5,000,000,000.00) divided into five billion (5,000,000,000) shares with a par value of One Peso (PhP1.00) each. Out of the ACS, three billion eight-one million eight hundred seventy-one thousand eight hundred fifty-nine (3,081,871,859) shares have been subscribed and paid-up. Of the total subscribed and paid-up capital stock, seven million eight hundred forty-one thousand one hundred eighteen (7,841,118) shares are foreign-owned.

The Company has twelve (12) subsidiaries and five (5) Associates, namely:

1. De Los Santos – STI College, Inc.
2. GROW*
3. Maestro Holdings*
4. STI Accent*
5. STI College Alabang, Inc.*
6. STI College Batangas, Inc.
7. STI College Dagupan, Inc.
8. STI College Iloilo, Inc.
9. STI College of Kalookan, Inc.
10. STI College Novaliches, Inc.
11. STI College Pagadian, Inc.
12. STI College Quezon Avenue, Inc.
13. STI College Taft, Inc.
14. STI College Tanauan, Inc.
15. STI College Tuguegarao, Inc.
16. STI Lipa, Inc.
17. STI Marikina*

**Associates*

Merger of Several Majority and Wholly-Owned Subsidiaries

On 9 December 2010, STI ESG's stockholders approved the following mergers:

- Phase 1: The merger of three (3) majority-owned schools and fourteen (14) wholly-owned schools with STI ESG, with STI ESG as the surviving entity. The Phase 1 merger was approved by the CHED and the SEC on 15 March 2011 and 6 May 2011, respectively.
- Phase 2: The merger of one (1) majority-owned school and eight (8) wholly-owned pre-operating schools with STI ESG, with STI ESG as the surviving entity. The Phase 2 merger was approved by the CHED and the SEC on 18 July 2011 and 31 August 2011, respectively.

On September 25, 2013, the Board of Directors (BOD) of STI ESG approved an amendment to the Phase 1 and 2 mergers whereby STI ESG would issue shares at par value to the stockholders of the non-controlling interests. In 2014, STI ESG issued 1.9 million additional shares at par value to the stockholders of one of the merged schools. As of the date of this Prospectus, the amendment is pending approval by the SEC.

Also on September 25, 2013, the BOD of STI ESG approved the Phase 3 merger whereby STI College Taft, Inc. (STI Taft) and STI College Dagupan, Inc. (STI Dagupan) will be merged with STI ESG, with STI ESG as the surviving entity. On August 5, 2016, STI ESG filed the merger application for STI Taft and STI Dagupan. As of the date of this Prospectus, the amendment is pending approval by the SEC.

As of the date of this Prospectus, STI ESG's request for confirmatory ruling on the tax-free merger from the BIR is still pending.

STI ESG Schools

Enrollment

For the first and second semesters of SY 2013-14, STI ESG had an average total enrollment of 66,259 students. This number increased by 5.49% in the following school year as total average enrollment reached 69,896. By SY 2015-16, total enrolment further increased by 6.62% with total average enrolment reaching 74,524. This steady increase continued in SY 2016-17 as the number of enrollees increased by 24.4% and reached an average total enrollment of 92,707.

In SY 2013-14, the total number of freshmen enrollees was 31,871 and grew by 3.52% in SY 2014-15. The number of freshmen enrollees continued to improve in SY 2015-16 increasing at a rate of 8.13% to 34,149. For SY 2016-17, due to the full implementation of the K to 12 program, the total freshmen enrollees in tertiary dropped by 74.86%, to 8,586.

Retention-wise, the average percentage of students retained in a semester from SY 2013-14 to SY 2015-16 is at 96%, which slightly improved to 97% in SY 2016-17.

Meanwhile, the average percentage of students who migrated to the succeeding semester in SY 2013-2014 is at 91% and 92% for both SY 2014-2015 and SY 2015-2016. For SY 2016-17, migration rate improved to 94%.

In the previous years, significant increases in the enrollment are more evident in the degree programs of STI ESG compared to its technical/vocational programs. The share of associate and Baccalaureate Degree programs to technical/vocational programs improved from 76% versus 24% in SY 2013-14 to 81% versus 16% in SY 2014-15. It continued to increase to 85% versus 12% in SY 2015-16.

On the other hand, the SHS tracks and specializations posted a 3% share for both SY 2014-15 and SY 2015-16.

In SY 2016-17, the number of enrollees in the associate and Baccalaureate Degree programs and technical/vocational programs went down by 55% and 6%, respectively. The decrease is due mostly to the nationwide implementation of the K to 12 program. Consequently, the population of senior high school significantly increased from 1,577 to 37,571 officially enrolled in the network as of September 30, 2016.

In SY 2013-14, STI ESG generated 13,647 graduates for the first and second semesters, and 12,280 in SY 2014-15. For SY 2015-16, there were 12,672 graduates for the first and second semesters.

Courses and Degree Programs

STI ESG also develops Courseware Materials to ensure the standard delivery of courses across all campuses in the STI ESG network. These are sets of teaching materials used by the instructors which include the course syllabus that sets the general objectives of the course with the course outline, presentation slides, class hand-outs, and other materials to be utilized throughout the duration of the course. These materials also include instructors' guides which identify the specific objectives of each class session, the appropriate teaching methodologies to be used, and how the provided materials are to be used to achieve the set objectives.

Currently, STI ESG has developed Courseware Materials for over 500 courses and new Courseware Materials are still being developed as new courses and programs are offered. Moreover, existing coursewares are regularly revised and updated to keep up with the recent developments in the present industries and schools.

In SY 2015-16, 49 Courseware Materials were developed and updated for Arts and Sciences, IT and Engineering, Business and Management, Tourism Management, and Hospitality Management. These Courseware Materials were embedded with activities aimed to develop the right skills and attitude required by top industries today through the 4Cs — Character, Critical Thinker, Communicator, and Change-adept. Moreover, the materials were Outcome-based Education (OBE)-aligned with assessment tools, rubric, and tasks.

Following recent developments in the industry and the trends in academic delivery, courseware revisions are likewise developed in STI ESG. The traditional Courseware Materials were converted to LCD materials in SY 2011-12 and course delivery was improved with the incorporation of multimedia materials.

STI ESG presently offers the following courses, through its various schools:

1. BS in Computer Science
2. BS in Information Technology
3. BS in Information Technology major in Network Engineering
4. BS in Information Technology major in Digital Arts
5. BS in Accounting Technology
6. BS in Business Management major in Operations
7. BS in Office Administration
8. BS in Office Administration with Specialization in Customer Relations
9. BS in Real Estate Management
10. BS in Culinary Management
11. BS in Hotel and Restaurant Management
12. BS in Travel Management
13. BS in Tourism Management
14. BS in Computer Engineering
15. AB Communication
16. Bachelor of Secondary Education major in Mathematics
17. Bachelor of Secondary Education major in Computer Education
18. Master in Information Technology
19. 3-year Hotel and Restaurant Administration
20. 2-year Information Technology Program
21. 2-year Associate in Computer Technology
22. 2-year Hospitality and Restaurant Services
23. 2-year Tourism and Events Management
24. 2-year Computer and Consumer Electronics Program with Broadband Technology
25. 2-year Multimedia Arts Program
26. Senior High School

Senior High School Program

In 2014, DepEd granted permit to offer Senior High School to 67 STI ESG schools. In June 2014, 32 STI ESG schools were able to pilot Senior High School with a total of 1,195 students. For SY 2015-16, four more schools started its Senior High School program and the total number of students increased to 1,577. Today, all 76 schools in the STI ESG network have been granted the DepEd permit to offer Senior High School and number of students significantly went up to 37,571.

These SHS tracks are:

1. Academic Track
 - Accountancy, Business, and Management
 - Humanities and Social Sciences
 - Science, Technology, Engineering, and Mathematics
 - General Academic Strand
2. Technical-Vocational-Livelihood Track
 - Information and Communications Technology ("ICT") Strand, with specializations in:
 - Computer Programming
 - Animation
 - Illustration
 - Computer Hardware Servicing
 - Broadband Installation
 - Home Economics Strand, with specializations in:
 - Commercial Cooking
 - Cookery

- Bartending
 - Food and Beverage Services
 - Tour Guiding Services
 - Travel Services
 - Tourism Promotion Services
 - Front Office Services
 - Housekeeping
- Industrial Arts Strand, with specialization in:
 - Consumer Electronics Servicing

The Senior High School offering of STI ESG aims to minimize the impact of the expected reduction in enrollment since there will be a substantial reduction of incoming freshmen during the transition period from Senior High School to College. Likewise, there is an opportunity for STI ESG to increase its student retention and migration when the students graduate from Senior High School and decide to pursue a Baccalaureate Degree.

STI Senior High School Early Registration

To help prepare the incoming Grade 11 students in choosing the right track, DepEd released Order No. 41 or 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 from October 19 up to November 13, 2015.

STI ESG 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 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 for them that fits their strengths, interests, and personality. With the assistance of a Guidance Counselor, incoming Senior High students will get a free comprehensive report in less than 30 minutes that can lead them in making an important decision for their future.

As a result of STI ESG's marketing efforts in the early registration campaign for SHS, a total of 30,917 Grade 10 students registered in STI ESG with 37,571 officially enrolled as of September 30, 2016.

Tuition and Other School Fees Increases

For SY 2013-14, there was an average increase of 5% in the tuition. In SY 2014-15, no increase was implemented in the tuition and other school fees. On the other hand, a 5% increase was implemented in the tuition and other school fees of SY 2015-16 and SY 2016-17.

Faculty Development and Certification

STI ESG provides faculty development programs to its members which are designed as a system of services, opportunities, and projects that assist faculty members in acquiring competencies necessary to effectively perform their respective function.

The Courseware-based trainings ("CBT") are training programs for all faculty members from wholly-owned and franchised schools that aim to improve the teaching methodologies and content knowledge for specific courses held during semestral and summer breaks. Courses offered for training vary from year-to-year depending on the needs analysis of the faculty members of the whole STI ESG network.

The CBT focused on courses such as AMADEUS Basic Certification, Microcontroller System, HRM System, QuickBooks, Broadband Technology, Mobile Technology, Fundamentals of VB (using VBA), Advance Microcontroller System, Tour Guiding Services, Tourism Promotion Services, and Travel Services and had 403 participants nationwide in SY 2013-14. In SY 2014-15, there were 94 participants for the courses C# (C Sharp) Programming, QuickBooks, and Radio/TV Principles and Practices with Production. In addition, 65 faculty members also underwent industry-provided trainings and certifications, during SY 2014-15, on Amadeus Basic Certification, Max's Training Online, and TATA Group's Accounting and Finance Course.

On the other hand, in SY 2015-16, there were 155 participants in the Huawei Certified Network Associate ("HCNA") Training and Gattesoft's Genesis Property Management System ("PMS") and Point-of Sales ("POS") System. Trainings were likewise conducted to help improve the faculty members' knowledge on teaching methodologies and use of technology. Among these trainings were the STI LMS with 72 participants; Outcome-Based Education for Tourism and Hospitality Management ("THM") Program Heads with 69 participants; and Faculty Capacity Development for Senior High School Implementation which was attended by 145 Academic Heads and Assistant Principals.

STI ESG also administers a faculty competency certification program ("FCC") which serves as the process of evaluating a faculty member's knowledge of the course in order to ascertain that he/she has the minimum level of competence needed to teach that course. Certification requirements include passing a comprehensive certification exam and garnering above average faculty evaluation ratings from superiors, peers, and students.

The number of FCCs granted by STI has continually increased from SY 2013-14 with 973 FCCs granted and 2,628 certificates released to 1,121 FCCs and 2,748 certificates in SY 2014-15, and 1,306 FCCs and 2,858 certificates in SY 2015-16.

Student Development

STI ESG believes that learning should not be confined within the four corners of the classroom. With the effort to ensure that its graduates will be equipped with a well-rounded education that will help them reach their highest potential, STI ESG allows students to explore, enjoy, and learn through a wide array of academic, co-curricular, and extra-curricular activities.

The STI National Youth Convention ("STI NYC")

Since 1995, the STI NYC has been an annual venue where students are provided with opportunities to learn the latest trends from the industry leaders and motivate them to apply the values and information they have gained with the objective of contributing to their school and community. The theme and topics vary every school year but always focus on alternative and innovative learning to discover the latest trends in technology, acquire the most in-demand and job-ready skills, and enhance specific values anchored on attributes that a model citizen should exhibit.

In SY 2013-14, there were 33,404 attendees in the STI NYC held in Baguio, Bacolod, Cebu, Cagayan de Oro, Davao, General Santos, Iloilo, Legazpi, Puerto Princesa, and Metro Manila. The number of attendees increased to 34,574 in SY 2014-15 now in nine (9) venues, removing Puerto Princesa from the roster. As a means to continually improve the quality of the STI NYC, this year, the students were grouped per session according to their tracks, namely, ICT and Engineering; Business and Management; and Tourism and Hospitality Management. The topics are now more specialized to the track of the student-participant.

In SY 2015-16, the number of attendees continued to increase to 39,467 and the convention is still held in nine different areas with the exception of Legazpi, which was replaced with Naga. With the theme "I Will Lead Innovation," the 21st STI NYC challenged STIers to think differently, be creative, collaborate, rise above trials, and break grounds in their respective industries with the help of experts who shared their insights and experience for future shakers and movers.

Tagisan ng Talino ("TNT")

The TNT is an annual academic competition that tests the capabilities of students on impromptu speech, essay writing, programming, cooking, cake and table design, and general knowledge. Over the years, specific competitions comprising the TNT have been enhanced to ensure that the competitions' objectives are met.

For SY 2013-14, the participants numbered 879 students in eight (8) various competitions. With the same number of competitions, but with the programming competition reduced into one category, a new competition was launched about the in-demand industry of mobile applications development. The number of participants from STI campuses nationwide increased to 909 students in SY 2014-15. For SY 2015-16, the participants competing in the same categories continued to increase to 933 students.

Tagisan ng Sining ("TNS")

Launched in SY 2013-14, the TNS is an annual competition that aims to challenge the students' artistry, creativity, and originality in the field of photography and music video making. During the launch, 147 students nationwide competed in the TNS. In its second year, SY 2014-15, 149 students from STI campuses nationwide participated in the TNS. Now on its third year, participants significantly increased to 211 students from STI campuses nationwide.

Talent Search

The STI Talent Search is an annual showcase of talents that aims to recognize the various skills of STIers nationwide — from singers and musicians to dancers and the up-and-coming models. Every year, all STI campuses nationwide send a total of over 100 contestants to compete in nine (9) regional sites before advancing to the National Finals in events like the STI Singing Idol competition, Battle of the Bands, Hataw Sayaw Dance competition, and the search for Mr. and Ms. STI.

In SY 2013-14 the event had a delegation of 22,369 students to commemorate the 30th Anniversary of STI while in SY 2014-15, 20,065 students witnessed the grand event. In SY 2015-16, the number of students slightly increased to 21,177. For SY 2016-17, more than 22,000 students joined the festivities of the 33rd Anniversary Celebration.

Student Leaders' Congress ("SLC")

The SLC is a leadership program that nurtures outstanding student leaders from STI campuses nationwide. It aims to hone the leadership skills and potential of students to become catalysts for positive change in their communities. Held at the STI Academic Center Ortigas-Cainta from May 20-22, 2015, forty (40) delegates from STI network of schools participated — 13 from Metro Manila, 7 in Northern Luzon, 12 from Southern Luzon, 3 from Visayas, and 5 in Mindanao.

National Basketball Tournament ("NBT")

To promote sportsmanship, camaraderie, and team spirit amongst students, STI conceptualized the National Basketball Tournament. A sports program for STI basketball teams nationwide. In SY 2014-15, STI College – Global City won the 1st NBT, and for SY 2015-16, STI West Negros University grabbed the championship title besting 51 teams this tournament.

Post-Graduation

The STI Alumni Relations, Placement, and Linkages ("STI APL") department conducts a survey of the graduating class to track employment rate six (6) months after graduation. This is facilitated through the STI School's Alumni and Placement Office. For SY 2014-15, 61% of the surveyed graduates were employed within six (6) months after graduation and 63% were employed after one (1) year.

Still as part of the job placement assistance of STI, the STI APL institutionalizes partnerships locally and internationally to help increase the employability of its graduates through the Interactive Career Assistance and Recruitment System.

Interactive Career Assistance and Recruitment System ("ICARES")

The ICARES is an exclusive job search system for STI graduates which facilitates the easy dissemination of STI's partners for their placement opportunities and provision of candidates (STI graduates) to fill in job openings. Partners for job placement of STI graduates are enabled to post their job openings and request for lists of graduates through www.i-cares.com or the ICARES at no cost. Registration with ICARES is required for all graduating STI students. In SY 2013-14, 104 partners utilized the ICARES system wherein 73 of its partners were able to post job vacancies on the ICARES website. The numbers slightly increased in SY 2014-15 to 112 partners with 85 partners posting job opportunities on the website. In SY 2015-16, the partner companies continued to increase to 136, with 91 partners utilizing the ICARES system.

On-the-ground school activities such as job fairs are conducted for recruitment purposes and to provide employment preparation seminars for graduating STI ESG students. In SY 2013-14, 30 institutional partners participated in STI ESG job fairs and 31 participants in SY 2014-15, and 34 partners in SY 2015-16. Schools nationwide also have local partnerships within their community to provide more avenues available to graduating students.

The STI Distinguished Alumni Awards

SY 2014-15 marks the launch of the STI Distinguished Alumni Awards. STI ESG campuses nationwide nominated deserving alumni who have received distinction and achievement in their chosen field.

The winners — Jose Agustinho Salvador, Janice Lagundi, Felix Emradura, Michael Cunanan, and Edward Czar Aquino — were awarded on April 30, 2015 during the Achievers' Night of the 2015 STI Leaders' Convention held at the Boracay Regency Hotel Resort and Spa.

In its second year, another batch of exemplary alumni were recognized on April 28, 2016 at the Hennan Resort Alona Beach, Bohol.

Institutional Linkages

STI ESG establishes, maintains, and promotes partnerships with the legitimate members of the industry to increase our students and graduates' employability under the PP. Through the PP, opportunities such as on-the-job training ("OJT"), employment, courseware enhancements, faculty development are made available to STI ESG, its students, and partners. In addition, activities such as mock recruitment, employment preparation seminars, job fairs, scholarships, postings of employment opportunities, and faculty trainings are also made possible.

Microsoft Corporation ("Microsoft")

In this partnership, Microsoft will provide modules on Microsoft Phone Application Development, Windows 8, and Microsoft Azure which will be integrated into the courseware of STI ESG's ICT programs. It will also implement the Microsoft Student Partner ("MSP") Program, wherein two (2) qualified STI ESG students will be recruited to become Microsoft's ambassadors in their schools and help promote Microsoft's events and application development initiatives. In addition, Microsoft will provide training programs on the latest technology trends in the industry to STI ESG faculty members and MSPs. Faculty members will likewise be able to use the Microsoft Virtual Academy ("MVA") which will allow them to monitor their students' performance more easily and access Webinars (web seminars) wherein professionals from Microsoft share their expertise online.

Huawei Technologies Philippines ("Huawei")

Under the new partnership, Huawei will be providing content from the ICT industry that will be integrated into STI ESG's curriculum for ICT programs. It will also hold training sessions for STI ESG's faculty members as well as for STI ESG students through internship programs, grant STI ESG with company certifications and accreditation, and make Huawei equipment and devices available for use in STI classrooms and laboratories. Students will also be given an edge in seeking employment opportunities with Huawei through STI's Interactive Career Assistance & Recruitment System ("ICARES") where the company's job postings will be available. Furthermore, STI ESG and Huawei will also be working together in building the STI-Huawei Innovation Center for new ICT systems, applications, and products.

Gatessoft Corp

The Philippine-based Canadian-American software firm Gatessoft Corp. is one of the leading hotel software providers in the country. Under the new partnership, Gatessoft Corp. and STI ESG will work together to equip STI ESG's faculty members teaching Hotel and Restaurant Management ("HRM"), Hotel and Restaurant Administration ("HRA"), Hospitality and Restaurant Services ("HRS"), and Tourism and Events Management ("TEM") with skills in using Property Management System ("PMS") and Point-of-Sale System ("POS") through in-depth training sessions. These new areas of knowledge will then be taught to the HRM, HRA, HRS, and TEM students.

European Innovation, Technology, and Science Center Foundation ("EITSC"), initiative of the European Chamber of Commerce of the Philippines ("ECCP")

EITSC's work immersion program aims to provide training opportunities to students and develop their skills as early as Senior High School in the fields of business, production, and services. Additionally, STI ESG's academic curriculum will be aligned with the industry requirements to cultivate the student's core competencies.

Global Max's Services Pte. Ltd. ("Max's")

STI ESG students will now be better equipped with the knowledge and skills needed in the industry upon graduation through the integration of Max's expertise of the industry with the Courseware Materials of HRM and HRS Programs, and through supervised training by Max's that will increase the chance of STI ESG students to become members of the organization upon graduation.

Following the partnership, student training is taken to a higher level as Max's online modules will be integrated with STI ESG's curriculum providing industry-based practices. Max's will also provide STI ESG's HRM and HRS students with an OJT program that seeks to immerse the students with practical procedures and techniques on handling restaurant management operations, customer service orientation, cuisine-menu preparations, and other technical skills.

British Council

Outcome-Based Education ("OBE") is essentially designed to focus on what the students should demonstrate and possess as knowledge, skills, and values after the completion of the course. In OBE, students should be able to shape themselves by starting with the desired end in mind and working backwards to innovate the learning activities and methods for assessment.

The British Council and STI ESG agreed to collaborate towards innovative learning by holding a training workshop for STI ESG's Content Developers for both tertiary and Senior High School to equip them with skills in improving STI ESG's OBE and their methods of assessing the students' OBE performance.

SITEL

Expounded in the agreement is the practical education the STI ESG students will receive from STI ESG and SITEL's collaboration. Aside from the training sessions, vital contents from SITEL will be integrated into STI ESG's courseware and curriculum, which students can put to good practice at the same company as they are also entitled to a choice to undergo their internship at SITEL. To give their learning

a further boost, faculty members will also receive proper training from SITEL which will also help them substantiate the lectures they give to their students. SITEL will also be participating in STI ESG's job fairs and will be active in posting job opportunities for graduating STI ESG students.

Tata Consultancy Services ("TCS")

The partnership with TCS marks the launch of its Academic Interface Program ("AIP") in the Philippines. It is a holistic initiative to enhance the quality of the emerging workforce across the globe by supporting students, faculty, and institutes. The agreement will strengthen the industry-academic linkages in courseware development and faculty training of STI ESG which will in turn benefit the academic growth of STI ESG students. These students, who will gain from TCS's courses, will also serve as the organization's human capital investment for the future as the courseware itself speeds up the training program, therefore presenting the students better chances of employment with the company. TCS has also expressed intentions of participating in STI ESG's mission to nurture job-ready students by taking part in job fairs and internship programs.

National Institute of Accounting Technicians ("NIAT")

Through this partnership, STI ESG has earned the recognition of the business and accounting courses under the Bachelor of Science in Accounting Technology ("BSAT") program, qualifying STI ESG students for the three-part CAT® licensure examinations without additional training which is required for BSAT graduates of non-recognized schools.

The recognition STI ESG received from NIAT not only acknowledges STI ESG's design of the BSAT program, but also helps propel the success of the accounting technology career of students undergoing the program. Passing each level of the exams confers an honorific that is recognized by the Institute of Certified Bookkeepers of UK, Institute of Certified Management Accountants ("ICMA") in Australia, and Association of Accounting Technicians of UK, giving the passers a promising future abroad.

Department of Labor and Employment ("DOLE")

DOLE exempts STI ESG schools from applying for a job fair permit provided that it will be held within the school premises. Also, DOLE will provide a speaker to join our schools' job fair events to educate our graduates of their rights and responsibilities as prospective employees to become productive members of society. In return, STI ESG extends its assistance by promoting and cascading DOLE's mandate of ensuring the jobseeker's protection in any employment facilitation related activities to its schools nationwide.

Solaire Resort and Casino

The alliance between STI ESG and Solaire Resort and Casino will provide internship programs to qualified STI ESG students in any 4-year program from any campus nationwide. This program includes the following: (1) an orientation to prepare interns; (2) a formal training in a real life workplace; and (3) other activities conducted by the facilitators to help gauge the students' practical aptitude. Their performances will be monitored by industry experts through monthly and term-end evaluations. Upon the completion of the program, interns will be granted certificates to recognize their participation and accomplishment. With the promise to provide students with a memorable and unparalleled internship experience, interns can look forward to gainful learning at Solaire.

Zuellig Pharma Asia Pacific Ltd. Phils.

Zuellig Pharma Asia Pacific Ltd. operates as a subsidiary of The Zuellig Group, Inc. The collaboration will provide internship opportunities to STI ESG students in any 4-year program from any STI ESG Campus.

The Asia Foundation

STI ESG signed a Memorandum of Agreement (MOA) with Asia Foundation on August 19, 2015 led by the then STI ESG President Monico V. Jacob and The Asia Foundation Country Representative Dr. Steven Rood. The partnership is another milestone in STI's advocacy to empower the future through educational opportunities for public school teachers, students, and disadvantaged youths. In this collaboration, STI ESG will be allocated with 66 US-produced reference books for the school's library. In return, Asia Foundation will match another set of reference books for donation to one public high school. In a nutshell, STI ESG schools will donate a total of USD132 to Asia Foundation to ensure the continuance of this program.

Partnership with Tony Tan Caktiong

Through the partnership with Tony Tan Caktiong (TTC), Chairman and Founder of Jollibee Foods Corporation, STI ESG will establish an academic institution with programs in agro-entrepreneurship, agricultural technology, logistics, and quick service restaurants, among others that are more responsive to the needs of the labor market. The program will be piloted in STI College Tanauan, Inc. (STI Tanauan) in Batangas featuring state-of-the-art agriculture facilities and equipment such as greenhouses, field laboratories, livestock and poultry farms, as well as rainwater harvesting system for irrigation and other uses. The campus will likewise be equipped with industry-grade simulation laboratories, air-conditioned classrooms with flat screen TVs, student activity centers with internet connection, a covered basketball court, and multimedia centers aimed to provide a more conducive learning environment. STI Tanauan is included in the list of projects, which may be funded from the proceeds of the Bonds. Please refer to the Use of Proceeds, on page 46 of the Prospectus.

Scholarships

STI ESG partnered with various companies to aid in scholarship programs and increase employment opportunities of STI ESG's graduates.

Gift of Knowledge

To provide educational opportunities to deserving individuals who have no means to pursue post-secondary education, STI ESG, through the STI Foundation for Leadership in Information Technology and Education, Inc. (the "STI Foundation"), strengthens its partnership with various TV programs from different TV networks. There were 47 scholars registered from the TV programs in SY 2013-14 and it increased to 59 in SY 2014-15, and posted 22 scholars in SY 2015-16 and SY 2016-17.

Sponsored Scholarship Programs

STI ESG and STI Foundation continually strengthen partnerships with corporations to be able to provide scholarship programs to support the tertiary education of deserving individuals. As such, STI ESG has established partnerships with various companies and government organizations.

The STI Foundation and its partners were able to support 104 scholars nationwide in SY 2013-14, 156 scholars in SY 2014-15, 169 scholars in SY 2015-16, and 207 scholars in SY 2016-17.

Community Extension and Outreach Programs

Given the national reach of STI ESG, the company has taken it upon itself to uphold socially responsible activities that are aimed to better the communities that individual campuses belong to, and at the same time, develop a positive environment that will be beneficial to all stakeholders.

The STI Foundation

The STI Foundation aims to contribute to the improvement of the country's educational system through programs and projects that address the digital divide and promote excellence in education.

Alternative Learning System ("ALS")

STI Foundation responded to the call of DepEd for the private sector's participation and support in their ALS program. STI ESG reached out to out-of-school youth aged 15 and above who still have not finished their secondary education and cannot afford to go through formal schooling.

The ALS sessions are conducted every Saturday and employ blended and collaborative modes of instruction (face-to-face instructions), e-learning materials (eSkwela), and performance-based assessment in order to prepare and equip the ALS learners with the knowledge required to pass the Accreditation and Equivalency ("A&E") Test given by DepEd. In SY 2015-16, twenty-nine (29) ALS Learners took the A&E test. Of the twenty-nine (29) takers, twelve (12) passed and were given certificates equivalent to a high school diploma.

The STI Mobile School

The STI Mobile School is a tourist-sized bus that has been converted into a roving computer laboratory. It is equipped with a state-of-the-art computer laboratory with internet access, multimedia computers, LCD monitors, sound system, and other top-of-the-line computer equipment.

Since SY 2011-12 until September 2016, the STI Mobile School has travelled to 1,113 sites and trained 147,222 participants nationwide. Today, a total of six mobile school buses travel across Luzon, Visayas, and Mindanao.

Adopt-a-School Program

STI ESG received a Certificate of Appreciation from DepEd for being one of its active partners in the implementation of the Adopt-a-School program. With this alliance, STI Mobile School or the computer laboratory on wheels were utilized to provide alternative learning facilities to DepEd's high schools in far-flung communities to teach basic skills on computer concepts, GNU Image Manipulation Program ("GIMP"), multimedia animation, audio editing, and movie presentation through ICT-enhanced training sessions.

STI Foundation extended assistance to various special community development projects, outreach programs, and humanitarian services in SY 2015-16 to help tackle the needs of the disadvantaged sectors and other organizations.

In support of the DepEd's back-to-school efforts, STI ESG, through its advocacy arm STI Foundation, donated over 1,400 sets of school uniforms to public schools in Mt. Pulag, Bukidnon, and Maguindanao. In addition, assorted old stocks of STI ESG books, uniforms, and proware items were donated to DSWD Region 4-A, Friendship Home Fr. Luis Amigo in Manila, Bantay Batas DASALKA in Antipolo, and Mandaluyong National High School totaling to P926,911.00 in acquisition cost.

Moreover, the turnover of donations coincided with DepEd's Brigada Eskwela at Carlos L. Albert High School in Quezon City on May 20, 2015 where STI ESG employees volunteered along with other private partners including Meralco Foundation, Maynilad, and Samsung Foundation.

Lastly, STI Foundation collaborated with Caritas Manila's Segunda Mana Project in the latter's goal of generating in-kind donations such as clothes, toys, shoes, and others to be given away to the recipients of the Caritas Manila.

Milestones

STI ESG remains steadfast in its commitment to strive for academic excellence and search for milestones directed towards the development of the institution and the improvement of the quality of its graduates.

International Organization for Standardization 9001:2008 ("ISO 9001:2008")

In SY 2014-15, STI ESG worked together in achieving the ISO 9001:2008 certification of its Learning Delivery System. This system covers development of tertiary level courseware and curriculum, faculty training, and faculty certification. The network has worked to fulfill the requirements that included extensive research; training sessions on proper documentation and internal quality audit; documentation of policies, processes, and work instructions; and the orientations given to STI ESG employees.

The ISO 9001:2008 is an international certification that indicates an institution's effectiveness and consistency in managing and carrying out its system regulation. It has strengthened the institution's standing in its performance to provide quality education that the students need. With an international accreditation, it has verified the institution's world-class performance in its education delivery

The ISO 9001:2008 certification was awarded on February 5, 2015 by the ISO certifying body TÜV Rheinland Philippines Inc. Regular monitoring was then conducted by TÜV Rheinland Philippines Inc. every year to ensure that STI ESG has continuously improved its courseware development process, faculty certification process, and faculty training process. After ISO 9001:2008, STI ESG then plans to level up and pursue ISO 9001:2015 which will still cover the Learning Delivery System but will put greater emphasis on leadership engagement and help address risks and opportunities in a structured manner.

Senior High School Graduation

STI ESG celebrated its 1st Senior High School Graduation with 706 graduates from 36 campuses nationwide in SY 2015-16. The network graduation was held on April 8, 2016 at the STI Academic Center Global City in Taguig. The graduation ceremony was attended by the DepEd Regional Director for NCR, Dr. Ponciano Menguito, and DepEd Assistant Secretary for Curriculum and Instruction, Mr. Elvin Uy.

Partnership with DepEd and other Educational Institutions

As the largest pioneer school in Senior High School, STI ESG was continuously invited by DepEd to share to the NCR Regional Directors, Division Superintendents, and Division Assistant Superintendents its wealth of knowledge and experience in implementing the Senior High School program to its 76 campuses nationwide: DepEd NCR Conference Room in January 2015, TYTANA College in July 2015, and Manila Ocean Park in Pasay City in November 2015. In June 2015, STI was given a plaque of recognition for being one of DepEd's partners during its K to 12 Anniversary. STI ESG was also invited by the Polytechnic University of the Philippines San Juan campus, a city government funded higher educational institution, in October 2015 and Roosevelt College in November 2015.

Ads Standards Council ("ASC")

The Ads Standards Council is an organization which aims to promote truth and fairness in advertising through self-regulation. ASC also handles the screening of all advertising materials and settlement disputes regarding advertising content. In December 2015, a complaint lodged with ASC against STI ESG for its claim of "Pioneering the Largest Network of Senior High Schools" was decided to be invalid.

Leaders Convention

Held at the Boracay Regency Hotel Resort and Spa in Boracay, Aklan from April 29 to May 1, 2015, the 28th Annual Leaders Convention focused on the full implementation of the Senior High School program for school year 2016-2017. It was attended by the STI ESG Executives, School Leaders, School Operations Managers, and Senior School Administrators. Gracing the event were: DepEd's Undersecretary for Programs and Projects, Dr. Dina S. Ocampo, who discussed updates and shared her expertise on DepEd's K to 12 program conceptualization; and Dr. Ethel Agnes P. Valenzuela, Senior Specialist and Head of the Research Unit at the Southeast Asian Ministers of Education Organization Regional Center for Educational Innovation and Technology ("SEAMEO INNOTECH"), who talked about the imminent ASEAN 2015 integration and its impact on the country.

Peoplesoft Campus Solutions (“PSCS”)

Oracle’s Peoplesoft Campus Solutions is a system that facilitates student admission, enrollment, assessment, and grading, among others. Paired with Report Services, a web-based application hosting the reportorial requirements of STI ESG, the PSCS was launched in SY 2015-16 to STI’s network of campuses. Available in real time, the STI schools are able to access numerous reports which they can also modify according to their own requirements. The reports are categorized into four (4) — Academics, Financials, Enrollment, and Government-mandated reports — using the SQL Server Reporting Services 2008 R2.

eLearning Management System

In SY 2015-16, STI ESG launched eLearning Management System (eLMS), a software application running on Amazon cloud, to better manage the delivery of educational courses and/or training programs of its students. The curricular course materials aim to augment classroom learning while the extra-curricular course materials are prepared to further nurture student development. The eLMS features a built-in support for collaboration through various tools such as wikis, forums, and discussion groups; an internal messaging system with bidirectional support for emails and text messaging; and a built-in portfolio system which students can use to collect works to support learning and/or achievements. With eLMS, STI students can now complete their lessons at their own pace, wherever they are.

iLearn and Share

In SY 2015-16, STI ESG introduced iLearn and Share (“iLS”) to its Senior High School students. It is a performance task wherein students were assessed based on their products or performance, which serve as proof of how well they understood and learned the task. Students can then apply their learnings to real life situations.

Education Centers Upgraded to Colleges

STI Colleges Laoag and Dipolog were granted college status by CHED in SY 2014-15 and STI College – Dumaguete in SY 2015-16.

Faculty Achievements

For SY 2015-16, faculty members underwent a two-day training on the Certified Accounting Technician (“CAT®”) Level 2 and seventeen (17) faculty members successfully passed CAT® Level 2 examination and are eligible to become Registered Cost Accountants. In SY 2016-17 an additional 316 instructors passed the CAT® Level 1 examination, 51 passed CAT® Level 2, and ten (10) passed the CAT® Level 3 examination.

Six (6) faculty members, on the other hand, were recognized as TESDA assessors: Haidee G. Pestilos of STI College – Vigan for Food and Beverage Services NC II, Bartending NC II, Housekeeping NC II, Commercial Cooking NC II, Bread and Pastry Production NC II, Cookery NC II, Front Office Services NC II, and Tour Guiding Services NC II; Mark Ryan E. Capacio of STI College – San Pablo for Food and Beverage Services NC II; Jeanette L. Rabia of STI Tagum for Bread and Pastry Production NC II, Housekeeping NC II, and Food and Beverage Services NC II; Leomar T. Busalla of STI Tagum for Tour Guiding Services NC II; and Antonio M. Lazona of STI College – Makati and Melvin C. Ado of STI Tagum for Computer Hardware Servicing NC II.

Similarly, two faculty members were given recognitions by STI’s partner IT companies. Ramil D. Dery of STI College – Baliuag, and STI College – Vigan’s Jayson S. Viernes are proud Microsoft User Office Specialist and Microsoft Certified Professional, respectively.

Lastly, Rhon C. Suliva of STI College – Quezon Avenue is a distinguished Mathematics Teacher Association of the Philippines (MTAP) Trainor for DepEd – NCR, while Elvi Lito E. Ubas from STI College

– Davao is certified by the Philippine National IT Standards (PhilNITS) - Fundamental Information Technology Engineers (FE).

Student Achievements

For SY 2015-16, Yancy Kabigan of STI College – Balagtas represented the country in the Southeast Asian (“SEA”) Games in Singapore and finished 4th place in the Male Windsurfing Sailing competition.

Additionally, AB Communication students dominated the prestigious AdSpeak 2016 where they bested other colleges and universities in the different advertising competitions. Sophomores from STI College – Global City bagged awards for their moving works in the TV Category. Roy John Libres’ video “Be Like” won the Online Choice Award, while Jerald Rioflorido’s video entitled “Coin” won 2nd runner-up in the Students’ Choice Award. Moreover, two freshmen from STI College – Novaliches brought home three major awards. John Jeffry Calma’s entry dubbed “Air” grabbed the Students’ Choice Award and the Values Advertising Award for Print Category. For his work, John was also granted a scholarship at McCann University Summer Practicum under McCann Worldgroup Asia-Pacific. Just a notch away, Janine Lopez was proclaimed the 1st runner-up in the Students’ Choice Award in the Radio Category.

STI College – Baguio’s Mary Grace Glorydelle Sayo bagged the championship title in the International Prepared Speech Category in the ESLYMPICS 2015, while STI College – Kalibo’s Clerie Jane T. Sucgan, Jeofelene Faye O. David, and Nova Grace Casidsid were declared as champions in the Provincial Tourism Quiz Bee. Topping the list is Allan Kent P. Manuba of STI College – Bacoor who placed 1st in the 24th Philippine Statistics Quiz - Provincial Elimination.

Robert Jhon Camarillo of STI College – La Union won a silver medal for the Skilled Area Category in the IT-Network System Administration during the 16th TESDA Regional Skills Competition, whereas Rey Mark Cabuntagon of STI College – Bohol was declared champion in the 2015 Regional Skills Competition under the Web Design Category.

Furthermore, Rhea Montojo of STI College – Alabang took home the grand prize in the nationwide search for the Great Adobo Cook brought by DeliChef and HMR Philippines. Not to be left behind were students from STI College – Global City: Jeastene Gutierrez, Chezka Marqueta, and John Michael Caber won 1st runner-up with their Peanut Chicken in Congee Spoons, Deconstructed Filipino Kare-Kare, and Elvis Presley Inspired Iced Cream in the Lily’s Peanut Butterific University Fun Day. On the other hand, Heidy Mae Mangsat, Nercy Fernandez, Jesus Aaron Mallavo, Ricarnet, Valerio, Honey Grace Velasco, and Daxielle Duke of STI College – Dagupan seized one gold, one silver, and one bronze medals from the 2nd Pangasinan Tourism Skills Competition.

For its active involvement and contributions to humanitarian services, STI College – San Pablo received a Plaque of Service Award from the Philippine Red Cross San Pablo Chapter.

STI College – Ormoc’s Dance Team composed of 100 students, faculty members, and employees won P 200,000 cash as the grand prize in the 6th Tugob Festival, while Kristine Laurente was declared as the 1st runner-up at the Tugob Festival Queen Pageant.

Subsidiaries

De Los Santos - STI College (“DLS STI”)

DLS STI was established and recognized by the Department of Education Culture and Sports (“DECS”) in 1975 as part of the expanding services of the De Los Santos General Hospital (“the Hospital”) to the Filipino community. The school opened its College of Nursing with only 65 students and to ensure that the school gets quality students, only applicants with a minimum rating of 95% in their National College Entrance Examination were accepted. Through the years, the school’s student population continue to increase to 300.

Since its opening in 1975, the School of Nursing has always been a separate institution from the Hospital. It became the De Los Santos School of Nursing in 1976 with Mrs. Lydia G. Tapia as its first Executive Dean. In the next decade, the De Los Santos College added the College of Physical Therapy, which received DECS authority to operate in June 1993.

In September 2002, the partnership with STI ESG was established. This partnership was a strategic move on both parties to be globally competitive as the leading ICT-enhanced healthcare learning institution. Thus, the name De Los Santos-STI College of Health Professions, Inc. was established.

STI ESG has a 52% interest in DLS STI, which is a CHED-licensed college specializing in health science education. Approximately 80% of the students were then enrolled in health sciences. In addition, it offered programs in tourism and hotel and restaurant management.

Due to the visa retrogression in the United States of America in 2006 and the lowering demand for nurses in other countries, nursing colleges in Asia experienced a continuing drop in their enrollees, including DLS STI. In anticipation also of the full implementation of the K to 12 program by DepEd which will have significant impact in the substantial reduction of freshmen enrollees in SY 2016-17 and SY 2017-18, the school decided to suspend its operations for these school years.

DLS STI has an ACS of One Hundred Million Pesos (PhP100,000,000.00) divided into one million (1,000,000) common shares with a par value of One Hundred Pesos (PhP100.00) each, fully subscribed and paid-up. The shares of the corporation are held by twelve (12) Filipino stockholders, whose respective shares are as follows:

Shareholders	Shares
STI ESG	519,995
Jose V. De Los Santos	120,000
Sonia S. Abesamis	120,000
Efren V. De Los Santos	119,999
Zenaida S. Curameng	119,999
Rosemarie S. Curameng	1
Jose Ronaldo H. De Los Santos	1
Eusebio H. Tanco	1
Monico V. Jacob	1
Raul B. De Mesa	1
Godofredo R. Aquino	1
Yolanda M. Bautista	1
Total	1,000,000

STI College Quezon Avenue, Inc. ("STI QA")

STI QA, a wholly-owned subsidiary of DLS STI, was registered with the Securities and Exchange Commission ("SEC") on March 20, 2007. It operates a school at 133 Quezon Avenue, Quezon City and has a student capacity of 1,280.

STI QA applied with the DepEd to offer Senior High School on September 13, 2013 and was granted permit on July 28, 2014. This four-storey building currently has a population of 907 students as of SY 2016-17.

STI College Batangas, Inc. ("STI Batangas")

STI Batangas was registered with the SEC on January 4, 1994 and 100% owned by STI ESG. Its principal office is located in National Road, Kumintang Ibaba, Batangas City with a student capacity of 3,000.

Standing on a 6,564-square-meter lot, STI Batangas has 1,724 students enrolled in its campus for SY 2016-17.

STI College of Calookan, Inc. ("STI Calookan")

STI Calookan was registered with the SEC on June 6, 1995. It operates a school located at 357 G.M. Sandoval Building, J. Teodoro Street corner 10th Avenue, Calookan City. On December 2, 2013, the Board of Trustees ("BOT") approved the transfer of STI Calookan's operations to its new office in Samson Road corner Caimito Road, Calookan City and can accommodate 8,000 students.

STI ESG has a Management Agreement with the STI Calookan, whereby STI ESG provides the general management and corporate level administrative guidance, direction, and supervision required by STI Calookan in connection with its operations in exchange for a certain amount of management fee. STI ESG has assessed that, under the Management Agreement, it has control over the financial and operating policies and has the means to obtain majority of the benefits of STI Calookan. As a result, STI Calookan is considered as a subsidiary of STI ESG.

STI Calookan's 10-storey building stands on a 15,495-square-meter lot. The school currently has a total number of 7,038 enrolled students for SY 2016-17.

STI College Iloilo, Inc. ("STI Iloilo")

STI Iloilo was registered with the SEC on September 5, 2014 and 100% owned by STI ESG. The school operated by STI Iloilo is located at Mission Road, Jaro, Iloilo City with a capacity of 560 students.

The school entered into a two-year leased agreement with Jason Resource Development Corporation ("JRDC") to occupy the JRDC/STI building with an area of more or less 1,080 square meters.

For SY 2016-17, the school has a total number of 253 enrolled students.

STI Lipa, Inc. ("STI Lipa")

STI Lipa was registered with the SEC on June 5, 1996 and operates the STI Lipa school located at No. 36 CM Recto Avenue, Lipa City, Batangas with a student capacity of 740.

At present, STI Lipa occupies two floors at 36 C.M. Recto Avenue, Lipa City, Batangas, Philippines, and has 663 students enrolled in its campus.

STI College Novaliches, Inc. ("STI Novaliches")

STI Novaliches was registered with the SEC in February 2016. Its principal office is at Diamond Avenue cor. Quirino Highway, San Bartolome, Novaliches, Quezon City with a capacity of 4,500 students.

On April 1, 2016, STI Novaliches entered into a Deed of Assignment with STI Diamond, whereby STI Diamond assigns, transfers, and conveys in a manner absolute and irrevocable, and free and clear of all liens and encumbrances, unto STI Novaliches all their rights, title, and interest in its assets and liabilities.

Standing on a 4,983-square-meter property, STI Novaliches has 5,023 students enrolled in SY 2016-17.

STI College Pagadian, Inc. ("STI Pagadian")

STI Pagadian was registered with the SEC on July 24, 2012 and 100% owned by STI ESG. Its principal office is in Duran Building, Rizal Avenue, Balangasan District, Pagadian City and can accommodate 240 students.

STI Pagadian has 84 students enrolled in SY 2016-17.

STI College Dagupan, Inc. ("STI Dagupan")

STI Dagupan was registered with the SEC on February 21, 1994 and 100% owned by STI ESG. Its principal office is at Dr. G & M De Venecia Building, Arellano St., Dagupan City, Pangasinan with a student capacity of 825.

On February 27, 2015, the Board of Directors (“BOD”) of STI Dagupan approved the application for an increase in authorized capital stock from Five Hundred Thousand (Php500,000.00) to Thirty-Five Million (Php35,000,000.00) and the opening for subscription of 72,000 common shares with Php100.00 par value per share. On March 4, 2016, the SEC approved its application for an increase in authorized capital stock. Subsequently, STI ESG subscribed to 32,000 shares at Php100.00 par value per share. The BOD of STI Dagupan also approved the conversion of STI Dagupan’s advances from STI ESG. As of March 31, 2016, STI Dagupan became a wholly-owned subsidiary of STI ESG.

Standing on 1,029-square-meters, STI Dagupan’s three-storey building has 397 students enrolled in SY 2016 17.

STI College Taft, Inc. (“STI Taft”)

STI Taft was registered with the SEC on July 1, 1991. The school owned and operated by STI Taft is located at ROL Building, 2133 Taft Avenue, Malate, Manila and can accommodate as many as 1,140 students.

On December 1, 2015, the BOD of STI Taft approved the application for an increase in authorized capital stock from 5,000 shares to 750,000 shares with Php100.00 par value per share. On April 4, 2016, the SEC approved STI Taft’s application. Consequently, the BOD of STI Taft also approved the conversion of STI Taft’s advances from STI ESG.

STI Taft Shareholders	Shares
STI ESG	1,246
Serafin M. Pantaleon	199
Herman T. Gamboa	133
Benjamin Zeta	63
Bernard F. Angeles	11
Rolando A. Suarez	11
Monico V. Jacob	1
Peter K. Fernandez	1
Yolanda M. Bautista	1
Restituto O. Bundoc	1
Total	1,667

There are 953 students presently enrolled in STI Taft for SY 2016-2017.

STI Tanauan

STI Tanauan was registered with the SEC on July 22, 2004. Its principal office is at No. 5 A. Mabini Avenue, Tanauan City, Batangas and can accommodate 480 students.

For SY 2016-17, the school has a total number of 722 students.

STI College Tuguegarao, Inc. (“STI Tuguegarao”)

STI Tuguegarao was registered with the SEC on August 26, 2003. Its principal office is at Melad Building, Luna Street, Ugac Highway, Tuguegarao City, Cagayan and able to accommodate 340 students.

At present, 108 students are enrolled in STI Tuguegarao.

Associates

Accent Healthcare/STI Banawe, Inc. ("STI Accent")

STI Accent is engaged in providing medical and other related services. It ceased operations on June 20, 2012 after the contract of usufruct between STI Accent and Dr. Fe Del Mundo Medical Center Foundation Philippines, Inc. to operate the hospital and its related healthcare service businesses was rescinded in May 2012. Thus, STI ESG ceased the recognition of its share in the losses of STI Accent.

STI College Alabang, Inc. ("STI Alabang")

STI Alabang was registered with the SEC on June 1, 1995. The school and operated by STI Alabang is at RZB Building Interior Montillano St., Alabang, Muntinlupa City and can accommodate 1,800 students.

STI Alabang has an authorized capital stock of Twenty Million Pesos (PhP20,000,000.00) divided into two hundred thousand (200,000) common shares with a par value of One Hundred Pesos (PhP100.00) per share, fully subscribed and paid for. Sixty percent (60%) of the outstanding shares are held by Filipinos, while the remaining Forty percent (40%) are held by a non-Filipino stockholder. The respective ownership shares of STI Alabang are as follows:

STI Alabang Shareholders		Shares
STI ESG	Filipino	79,994
Richard David Barclay	Australian	80,000
Zena Marie Barclay	Filipino	39,999
Eusebio H. Tanco	Filipino	1
Monico V. Jacob	Filipino	1
Engelbert L. De Guzman	Filipino	1
Peter K. Fernandez	Filipino	1
Amiel C. Sangalang	Filipino	1
Yolanda M. Bautista	Filipino	1
Annabelle A. Peralta	Filipino	1
Total		200,000

In SY 2016-17, STI Alabang has reached a total enrollment number of 1,591 students.

STI Marikina

STI Marikina was incorporated in the Philippines on July 11, 1995 and started operations on June 1, 2003. Its principal office is at 289 L. de Guzman St., Concepcion, Marikina City with a capacity of 2,160 students.

The school entered into a five-year leased agreement with Richard T. Tiu to occupy the four commercial units with approximately 260.69 square meters and a total floor area of 1,024.76 square meters located in a commercial building with four parking slots. Today, a total of 1,336 students are currently enrolled in STI Marikina.

STI Marikina has an authorized capital stock of Five Million Pesos (PhP5,000,000.00) divided into one hundred thousand common shares with par value of Fifty Pesos (PhP50.00) per share. Of the 100,000 authorized capital stock, only 84,270 has been subscribed and fully paid. STI Marikina is fully owned by Filipinos, whose respective shares in STI Marikina are as follows:

STI Marikina Shareholders		Shares
Vilma C. Caparros	Filipino	51,413
STI ESG	Filipino	19,520
HTG Technologies, Inc.	Filipino	3,358

Logic Management, Inc.	Filipino	3,197
Jesus P. Francisco	Filipino	2,192
Frances Margaret L. Batac	Filipino	1,071
Guillermo N. Batac, Jr.	Filipino	858
Dolores Cheng	Filipino	535
Jose Ernesto Villaluna	Filipino	479
Leonardo N. Ramos	Filipino	428
Horacio Y. Sese	Filipino	402
Dan Calleja	Filipino	397
Susan L. Batac	Filipino	108
Antonio Liorente	Filipino	108
Teresita Miranda	Filipino	107
Mariano Lagman	Filipino	94
Eusebio H. Tanco	Filipino	1
Edgar Alvin C. Sarte	Filipino	1
Herminia E. Gilarina	Filipino	1
Total		84,270

Maestro Holdings

Maestro Holdings is a holding company that holds investments in PhilPlans, PhilhealthCare, Inc. ("PhilCare"), Philippine Life Financial Assurance Corporation ("PhilLife") and Banclife Insurance Co. Inc. ("Banclife"). PhilPlans is a leading pre-need company that provides innovative pension, and education and life plans. It owns 65% of Rosehills Memorial Management, Inc. ("RMMI"), a company engaged in the operation and management of a memorial park, memorial and interment services, and sale of memorial products. PhilCare, on the other hand, is a Health Maintenance Organization ("HMO") that provides effective and quality health services and operates through its own clinics and accredited clinics and hospitals nationwide. Meanwhile, PhilLife provides financial services such as individual, family, and group life insurance, investment plans, and loan privilege programs. Lastly, Banclife is formerly engaged in the life insurance business in the Philippines. It ceased operations in March 2013.

On December 7, 2015, the BOD of Maestro Holdings approved the opening for subscription of four hundred thirty seven thousand five hundred (437,500) common shares out of its authorized but unissued common stock at a subscription price of Eight Hundred Pesos (PhP800.00) per share or an aggregate subscription price of Three Hundred Fifty Million (PhP350,000,000.00) million to all stockholders of record Maestro Holdings in accordance with their existing shareholdings, subject to the conditions that: (a) each stockholder shall pay 50% of the stockholder's subscription on or before December 18, 2015; and (b) the balance of each stockholder's subscription shall be payable upon call by the BOD. The purpose of the said capital call is to raise funds for capital infusion in PhilLife and for future investments. In 2016, STI ESG subscribed to eighty seven thousand four hundred seventy-nine (87,479) shares of Maestro Holdings amounting to PhP70.0 million. On June 10, 2016, the BOD of Maestro Holdings cancelled the balance of the subscription due from its stockholders.

Global Resource for Outsourced Workers, Inc. ("GROW")

Global Resource for Outsourced Workers, Inc. ("GROW") was registered with the SEC on July 5, 2002 and started commercial operations on January 1, 2003. GROW is engaged in enlisting, recruiting, and managing professionals and workers, both skilled and unskilled for local or overseas employment. It also acts as an agent in the global supply and organization of human resources. GROW is 19.68% owned by Maestro Holdings, Inc. and 17.35% owned by STI ESG. The Company's principal office is at 8th Floor STI Holdings Center, 6764 Ayala Avenue, Makati City.

On July 14, 2004, the Board of Directors (BOD) approved GROW's plan for merger with GROW Holdings Phils., Inc. ("GROW Holdings"), a related party, with the latter as the surviving entity. During the BOD meeting held on the April 8, 2015, it was approved that the planned merger will no longer be pursued.

In 2011, GROW was affected by the new Department Order ("DO") 18-A issued by the Department of Labor and Employment ("DOLE"), which delineates service contracting or subcontracting from private recruitment and placement agency ("PRPA"), by prohibiting contractors or subcontractors from PRPA activities and vice versa. This distinguishes a subcontractor, who should be an independent employer from a PRPA who merely acts for and on behalf of an employer and not the employer of the recruited and placed workers at a company or an employer.

In order to comply with the new ruling, the BOD approved the spin-off of its local staffing or outsourcing business on December 12, 2013 by establishing a wholly-owned subsidiary duly licensed to engage in contracting/subcontracting activities, GROW Vite Staffing Services Inc. ("GROW Vite"), which was incorporated on January 16, 2014. On January 6, 2014, the BOD approved the investment in GROW Vite. On February 24, 2014, GROW entered into an agreement which transfers all contractual obligations and liabilities of the former to its clients and employees to GROW Vite. As such, the BOD also approved the amendments to the Articles of Incorporation by deleting the provisions with regard to contracting services as one of the Company's primary purpose in conformity with DO 18-A series of 2011.

On September 30, 2014, the BOD approved the amendment of the Articles of Incorporation to increase the authorized capital stock of GROW from PhP100,000,000.00 divided into ten million (10,000,000) shares with PhP10.00 par value to One Hundred Twenty Million Pesos (PhP120,000,000.00) divided into twelve million (12,000,000) shares at Ten Pesos (PhP10.00) par value. The Stockholders of the Corporation approved and ratified on the same day. The BOD also approved the conversion of Five Million Pesos (PhP5,000,000.00) worth of loans from Prime Power Holdings Corporation to the Parent Company in the amount of Five Million Pesos (PhP5,000,000.00) into equity, which shall be Prime Power's subscription to the increase in the authorized capital stock of the Company. Such amount is presented separately as "Deposit for future subscription" under noncurrent liability section of the 2014 statement of financial position. On April 6, 2015, the application for the increase in the authorized capital stock of the Company was approved by the SEC. On April 8, 2015, the BOD approved the conversion of additional Two Million Five Hundred Thousand (PhP2,500,000) loans from Prime Power Holdings Corporation into equity.

GROW Shareholders		Shares
Eusebio H. Tanco	Filipino	2,089,414
CEOs, Inc.	Filipino	199,998
Monico V. Jacob	Filipino	683,671
Oscar S. Reyes	Filipino	111,453
Alan T. Ortiz	Filipino	1
Bienvenido E. Laguesna	Filipino	22,223
Rufus B. Rodriguez	Filipino	167,782
Alberto G. Romualdez	Filipino	1
STI ESG	Filipino	1,735,480
Yolanda M. Bautista	Filipino	1
Joel S. Ferrer	Filipino	563,156
Parman, Inc.	Filipino	337,956
Jose F. Buenaventura	Filipino	824,165
Edmund Hodge	American	1
Capital Managers and Advisers, Inc	Filipino	384,615
Adventist Healthcare, Inc.	American	912,200
STI Investments, Inc.	Filipino	1,968,014
Joseph Agustin Eusebio L. Tanco	Filipino	1
Prime Power Holdings, Inc.	Filipino	750,000

Total	10,750,000
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Joint Venture

Philippine Healthcare Educators, Inc. ("PHEI")

On March 19, 2004, STI ESG, together with the University of Makati ("UMak") and another shareholder, incorporated PHEI in the Philippines. STI ESG and UMak each owns 40.00% of the equity of PHEI with the balance owned by another shareholder. PHEI is envisioned as the College of Nursing of UMak. The following are certain key terms under the agreement signed in 2003 by STI ESG and UMak:

- a. STI ESG shall be primarily responsible for the design of the curriculum for the Bachelor's Degree in Nursing (BSN) and Master's Degree in Nursing Informatics, with such curriculum duly approved by the University Council of UMak;
- b. UMak will allow the use of its premises as a campus of BSN while the premises of iACADEMY will be the campus of the post graduate degree; and
- c. STI ESG will recruit the nursing faculty while UMak will provide the faculty for basic courses that are non-technical in nature.

Business Strategy

STI ESG aims to enhance its position as a leading education service provider through the following strategies:

Implementation of the K to 12 Program

The education landscape in the Philippines has changed with the signing of the Republic Act ("RA") 10533 on May 15, 2013, also known as the Enhanced Basic Education Act of 2013. The emphasis of RA 10533 is the introduction of the K to 12 which in summary adds two years prior to tertiary education.

For schools in the Philippines that offer tertiary education, similar to STI ESG, this means a substantial reduction in incoming college freshmen students for two academic years.

STI ESG decided to capitalize on its nationwide presence and ample facilities to be able to implement the first-to-market approach of the Senior High School ("SHS") program.

In 2014, DepEd granted permit to offer SHS to 67 STI ESG campuses out of a total of 92 schools. This consequently makes STI ESG as the largest pioneer in Senior High School. Last June 2016, DepEd reported that 1,009,139 Grade 11 learners are now enrolled in Senior High Schools nationwide. Of the over 1M learners, around 691,000 SHS students are in public schools and more than 317,000 are in private schools. Of these figures, almost 40,000 are STI Senior High students.

Expand enrollment at its network of wholly-owned schools.

STI ESG has embarked on extensive growth activities in relation to its network of wholly-owned schools. Since STI ESG's wholly-owned campuses have better control of operations at the campuses and provide higher profit margins compared to the franchised schools, STI ESG has been evaluating its franchise network and has selectively reacquired certain franchisees and converted them to wholly-owned schools. STI ESG evaluates its franchisees on the basis factors including local population, demographics, competing schools and critical demand. Since 2003, STI ESG has acquired 17 of its franchises after extensive negotiations with its franchisees.

In addition to growth through re-acquisition of its franchised schools, STI ESG has also increased enrolment of its wholly-owned schools. 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 increased its total student capacity to 119,191 students, 73,413 for wholly-owned schools and 45,778 for franchised schools. The physical expansion of the campuses also allows STI ESG to convert education centers to colleges, which provide longer and more valuable programs, increasing STI ESG's margins. The average increase in new student enrollment, as compared to the previous year's new or freshmen student enrollment, after opening a new and upgraded campus, was 138% in the first year, 97% in the second year, and 106% in the third year. STI ESG is planning to build new facilities for existing campuses in priority areas. These new schools are generally multi-storey stand-alone structures with an average student capacity of 4,500 students. The buildings include classrooms, laboratories, study and social spaces, sports facilities, and auditoriums, among others. See "Use of Proceeds" on page 46 of this Prospectus.

Align course offerings with market demand and expand scope of delivery.

STI ESG maintains close relationships with industry leaders and employers. It regularly consults with these partners to understand the human resource needs of employers in the Philippines. STI ESG then tailors course offerings to suit market demand, including the development of new curricula. In addition, STI ESG's strategy of centralizing courseware development provides the entire system with agility to adjust to market conditions, as all students will have access to the latest developments in each field. This centralization also allows consistency across the entire network, providing employers with quality employees regardless of geographic location. STI ESG believes that this focus on providing students with marketable skills creates tremendous value for middle-income students, who are pursuing education to improve their economic standing. It also believes that this value driven approach increases student enrolment, retention, and satisfaction.

Selectively explore new acquisition opportunities.

STI ESG believes that the Philippine educational market remains fragmented and that small private educational institutions can be made more efficient and be run profitably. STI ESG's acquisition strategy is to consider acquisition opportunities with favorable valuations and scope for operational improvements. STI ESG evaluates potential acquisitions on the basis factors including local population, demographics, competing schools and critical demand. STI ESG has developed robust financial, business and academic criteria to assess potential acquisitions, and will continue to evaluate opportunities to manage or acquire other post-secondary educational institutions to augment its capabilities, broaden its course offerings and increase geographical presence.

Expansion Projects

STI ESG decided to shift its focus on a more organic expansion instead of a geographical expansion. This direction is part of STI ESG's commitment to continuously improve the delivery of education to its students — by ensuring that its schools house state-of-the-art facilities with spacious classrooms, top-of-the-line computer laboratories, and recreational facilities. Thus, STI ESG encouraged the schools to move from rented space into School-Owned Stand-Alone Campuses.

For the last seven (7) years, eleven (11) new school facilities were constructed for eleven (11) existing wholly-owned schools and this has resulted in the additional uptake of around 17,500 new students. STI ESG intends to continue this strategy and build new facilities for more schools.

Greenfield development of new schools is also being looked at and one site has already been identified — a property in San Jose del Monte, Bulacan which is a densely populated area bordering Metro Manila. STI ESG has purchased a 4,178-square-meter property located in the aforementioned area in April 2014 which is intended for use as a school campus.

In addition, STI ESG also plans to construct new campuses in Davao, EDSA, Lipa, Cebu, Legazpi, Tanauan, and Cabanatuan. Expansion projects are also already on the works in the following campuses — Sta. Maria, Cagayan de Oro, San Pablo, Iloilo, Baguio, and new buildings for Calocan.

Certification for its core academic processes

In order to ensure that STI ESG has a competitive advantage over other educational institutions, the Company has centralized its focus into academic quality and started investing on trainings on awareness, documentation, and internal quality audit to achieve ISO 9001:2008.

In order to achieve the ISO 9001 certification, the Company has continuously improved the courseware development process, the faculty certification process, and the faculty training process — which was awarded on February 5, 2015 by the ISO certifying body TÜV Rheinland Philippines Inc. Regular monitoring was then conducted by TÜV Rheinland Philippines Inc. every year to ensure that STI ESG has continuously improved its courseware development process, faculty certification process, and faculty training process. After ISO 9001:2008, STI ESG then plans to level up and pursue ISO 9001:2015 which will still cover the Learning Delivery System but will put greater emphasis on leadership engagement and help address risks and opportunities in a structured manner, and the supply chain management more effectively.

Competition

The post-secondary education industry in the Philippines is very competitive and STI ESG competes with both the public and private colleges and universities, as well as other alternatives to post-secondary education such as the technical vocational schools. According to CHED, there are 1,706 private and 682 public post-secondary educational institutions in the Philippines as of September 14, 2016. STI ESG believes that the factors influencing competition in the post-secondary education market are price, overall education experience, experience and reputation of the institution, faculty, facilities, location, and programme offerings, among others.

Each of STI ESG's network of campuses nationwide competes with a select number of local colleges and universities within its price range and similar course offerings. STI ESG is one of the largest, private, for profit network of educational institutions in the Philippines. Each individual school also faces competition in the locations in which it operates. STI ESG's competitors are traditional colleges, universities, and vocational schools whose product offerings and pricing levels target middle-income students. These schools may be for-profit, non-profit or public institutions.

STI ESG believes that it effectively competes with other colleges and universities due to its robust organizational structure. Its centralized development of academic content and delivery ensures that students get high quality education. Its systematic school management approach maintains efficiency. It believes that it possesses a passionate management team backed-up by experience. With its nationwide presence in key geographic areas, STI ESG believes it has the opportunity to be a leader in the education industry.

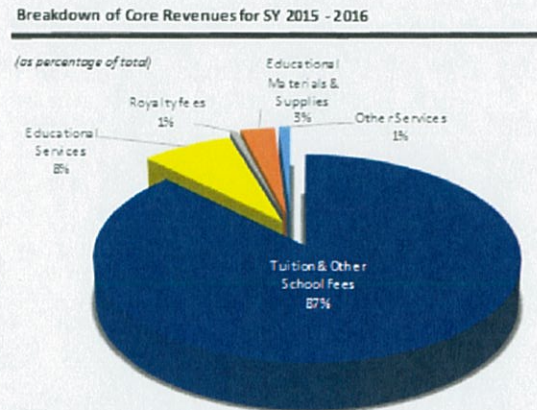
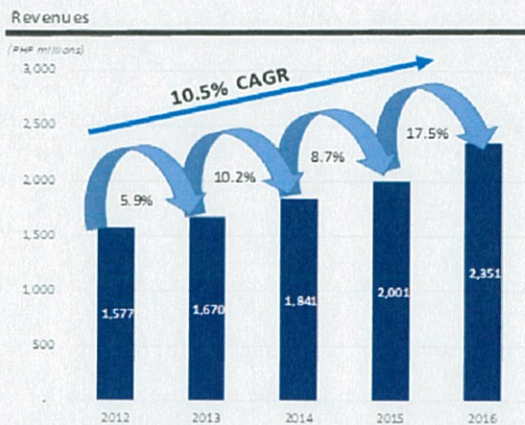
In addition, STI ESG has a strong marketing presence through advertising, public relations, direct marketing, and social media. One of the key strengths of the STI ESG network is its nationally recognized brand, which is particularly helpful when competing against other highly localized schools.

Breakdown of Revenues

STI ESG continues to achieve strong revenue growth from 2012-2016 mainly attributable to the following drivers:

- Increases in the number of enrollees in the STI ESG network-wide schools, specifically from STI-owned schools

- Management’s strategic focus on the 4-year Baccalaureate Degrees where the average tuition fee per semester is higher compared to vocational programs
- A modest increase in tuition fees



Over the years, STI ESG has been experiencing a steady growth in terms of revenues. The Compound Annual Growth Rate (“CAGR”) of STI ESG is at 10.5% for the years 2012-16.

The main source of revenue of STI ESG is derived from tuition and other fees, comprising 87% of the total revenue. Meanwhile, educational services and income earned from sale of educational material and supplies comprise 8% and 3%, respectively.

Distribution Methods

STI ESG schools are 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 the STI ESG. All franchisees are covered by licensing agreements, which require courseware to be obtained from the 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; and
- 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 are covered by licensing agreements, which require courseware to be obtained from STI ESG.

Marketing and Sales

Through its 33 years of existence, STI ESG believes that it has established a strong household brand through its marketing campaigns and from word-of-mouth of its quality educational programs. Strong brand equity has helped STI ESG attract a talented faculty and helps increase student enrollment in the STI ESG network. The STI brand is recognized nationally by employers in various industries for producing highly educated students with knowledge and skills well suited for the workplace. This strong brand recognition from employers in various industries helps increase the value of STI ESG’s education provided to the students and further enhances student enrollment. STI ESG maintains its brand through consistent monitoring of its courses and students at its wholly-owned and franchised schools, which allows STI ESG to maintain high educational standards throughout its network of schools. STI ESG conducts regular national marketing campaigns to sustain its strong brand name. It has a strong marketing presence through advertising, public relations, direct marketing, and social media. One of

the key strengths of the STI ESG is its nationally recognized brand, which is particularly helpful when competing against other highly localized schools.

Suppliers

STI ESG through its Purchasing Department maintains and updates a database of accredited suppliers and a system for supplier accreditation. With the accreditation program, STI ESG ensures that vendors are capable of delivering goods or services with technical, commercial, and financial ability, adequate equipment and facilities, good service performance or any other measures that will safeguard quality and reliability in every purchase made.

Transactions with or Dependence on Related Parties

The Company, in the normal course of business, enters into transactions with related companies primarily consisting of advances, rent and other related receivables. Rental for leased properties are within market rates while there is no interest on advances. Related parties are able to settle their obligations in connection with transactions with the Company and the Company does not foresee risks or contingencies arising from these transactions. Additional information on related party transactions are in the Notes to the Audited Financial Statements of the Company attached hereto and incorporated herein by reference.

For information on Transactions with and/or Dependence on Related Parties, see the section "Certain Relationships and Related Transactions" on page 139 of this Prospectus.

Patents, Trademarks, and Copyrights

STI ESG has a number of trademarks and trade names that it uses for its programs, services, and schools. These trademarks are important in the aggregate because name recognition and exclusivity of use are contributing factors to STI ESG's success.

In the Philippines, certificates of registration of a trademark filed with the Philippine Intellectual Property Office ("IPO") prior to the effective date of the Philippine Intellectual Property Code in 1998 are generally in force for a period of 20 years from the date of the certificate, while those filed after the Philippine Intellectual Property Code became effective are generally in force for a shorter period of 10 years, unless terminated earlier. The Philippine Intellectual Property Code also allows renewal for periods of ten (10) years at its expiration upon payment of the prescribed fee and upon filing of a petition for renewal of registration (see Intellectual Properties on page 116 of this Prospectus).

Need for Government Approval of Principal Products or Services and Effect of Existing or Probable Governmental Regulations

The education industry in the Philippines is highly regulated. The STI Network of educational institutions and technical vocational programs is overseen by CHED, TESDA and DepEd, which regulate education curricula, tuition and other school fees, the licensing of STI ESG's schools and campuses and other matters relating to STI ESG's establishment and operation of its schools and STI ESG's decision-making and strategies are significantly influenced by regulations affecting the post-secondary education industry in the Philippines, and any changes to this regulatory regime could adversely impact STI ESG's results of operations.

Manual of Regulations for Private Higher Education of 2010 (the "MORPHE")

The MORPHE is the primary regulatory document for private tertiary educational institutions. All private institutions must conform to the regulations imbedded in this law; otherwise, the granting of permits could be denied to such institutions or, if already granted, can be revoked.

CHED Memorandum Orders ("CMOS")

CMOS have the effect of law as applied to higher learning institutions. Having the effect of a law or a statute, CMO's elaborate on the regulations enumerated in the MORPHE. In addition, CMOS cover the operations of schools and provide guidelines on the welfare of the faculty, student, and owners as well as administrators of tertiary level education providers.

Environmental Laws

Under PD 1586, the Philippine Environmental Impact Statement ("EIS") system was established to reconcile the exigencies of socio-economic undertakings with requirement of environmental quality in order to achieve an orderly balance between socio-economic growth and environmental protection. The EIS system requires that an Environmental Impact Statement be filed with the Environmental Management Bureau ("EMB") for every proposed project or undertaking which significantly affects the quality of the environment. For this purpose, the President of the Republic of the Philippines was authorized to declare certain projects, undertakings or areas in the country as environmentally critical. Under Section 4 of PD 1586, no person, partnership or corporation shall undertake any environmentally critical project ("ECP") or implement a project within an environmentally critical area ("ECA") without first securing a certificate of environmental compliance commitment ("ECC") from the EMB. An ECC is a compliance commitment wherein the project proponent undertakes to take full responsibility for the implementation of specified measures which are necessary in order to comply with existing environmental regulations or to operate within best environmental practices that are not currently covered by existing laws. The ECC certifies that the project proponent has complied with all the requirements of the EIS System and has committed to implement its approved Environmental Management Plan. On the other hand, if the project does not pose significant impact to the environment or is unlikely to cause adverse environmental impacts, an ECC is not required to be secured. In lieu of an ECC, what may be secured is a Certificate of Non-Coverage ("CNC") that is issued by the EMB certifying that based on the submitted project description, the project is not covered by the EIS System and is not required to secure an ECC.

Research and Development

Course Development

STI ESG has a centralized courseware development group that is responsible for the development of the lesson plans and teaching materials that are used by its faculty members across both wholly-owned and franchised schools. STI ESG is composed of highly qualified professionals with extensive knowledge on content and pedagogy who develop the syllabi, presentation slides, instructor's guides, student hand-outs, and other student learning materials for each and every course in all academic programs. External subject matter and industry experts are also tapped in the development process to ensure that the content of each courseware is relevant.

The centralized courseware development provides STI ESG with efficiencies of scale, as a single course could reach thousands of students. This also helps improve the quality of the teaching-learning process since the prepared plans reduce the amount of time that faculty members need to research the content to be taught and to prepare lesson plans. Instead, the faculty member can focus on the actual delivery of the content, in accordance with the learning styles of the students. The reduction of preparation time allows faculty members to focus their time in helping students learn and participate in extra-curricular activities as faculty advisers. In addition, this system allows STI ESG to maintain high standards of educational quality across its entire network, allowing students to receive the same erudition whether they are in the Metro Manila vicinity or in the outside provinces.

Monitoring of Students' Performances

STI ESG regularly monitors the performances of its students through the software application eLearning Management System ("eLMS") and the Peoplesoft Campus Solutions ("PSCS") system.

In the eLMS, students are able to access supplementary lessons online to further amplify their classroom learning through various tools such as wikis, forums, and discussion groups. There is also a

built-in portfolio system that students can use to collect works to support their lessons. Meanwhile, with the PSCS, STI ESG's network of schools are now able to easily access the academic records of the students and track how well the students fare with their classes.

Material Contracts

Franchise Licensing Agreements

STI ESG has entered into licensing agreements with 39 franchisees for the operation of 32 colleges and 7 education centers. These agreements are generally for terms of five years and renewable by mutual agreement of the parties. Under the agreements, franchisees are granted a license to use STI trade and servicemarks, such as "STI," "STI College," and "STI Education Center." STI ESG also agrees to provide the franchisee with course materials, support services, teacher training, and national marketing support. The franchisees agree to meet government regulations and comply with STI ESG's policies and procedures. These STI ESG policies include policies on staffing and human resources development, reporting requirements, student welfare requirements, and financial obligations. Franchisees pay STI ESG an initial franchise fee upon execution of the licensing agreement and STI ESG retains an annual royalty fee equal to 2.0% of divisible gross revenues from tuition, a sharing fee of 24% and 16% of divisible gross revenues from course offerings for colleges and educational centers, respectively, and other school fees payable each month.

In addition, these agreements allow the Company to take steps with regard to or take over the financial or operational management of the franchised colleges and education centers in certain instances, such as:

1. If there is a failure by the franchisee to pay its financial obligations, and in order to protect the welfare of the students, STI has the option to send a financial auditor to conduct a special audit to determine if the failure of the franchisee to pay its financial obligations is due to business reverses, fraud; or simply an outright refusal to pay any financial obligation to STI ESG.
2. In the event of a gross breach of the licensing agreement and in order to protect the welfare of the students, STI has the option to undertake the operational management of the franchised college or education center.

Without limitation, the following are considered as gross breaches:

1. Offering or teaching courses not authorized to be taught by STI ESG or not allowed to be taught in accordance with CHED or TESDA regulations for the type of school of the licensee;
2. Allowing unauthorized or unaccredited teachers to teach courses in the franchised college or education center;
3. Allowing the use of unlicensed software in the franchised college or education center;
4. Unless, protested or under review through legal processes, non- payment of government-mandated obligations such as payment to the Social Security System, Philhealth or Pag-Ibig as well as non- payment of taxes and fees as mandated by law.
5. Allowing the use of the premises where the franchised college or education center is located for immoral and illegal activities.
6. Committing acts directly attacking and sullyng the name and reputation of STI ESG.
7. Non-compliance with government mandated safety regulations.

A list of Licensee's under STI ESG's Licensing Agreements are as follows:

STI Franchise	Licensee	Term	Renewal Date	Termination Date
1 Alabang	STI College Alabang, Inc.	5 years	1 April 2016	31 March 2021
2 Alaminos	STI Alaminos, Inc.	5 years	1 April 2016	31 March 2021
3 Angeles	Syllabus, Inc.	5 years	1 April 2016	31 March 2021
4 Bacoor	STI College Bacoor, Inc.	5 years	1 April 2016	31 March 2021
5 Balagtas	STI College Balagtas, Inc.	5 years	1 April 2016	31 March 2021
6 Balayan	STI College Balayan, Inc.	5 years	1 April 2016	31 March 2021
7 Baliuag	STI College Baliuag, Inc.	5 years	1 April 2016	31 March 2021
8 Calbayog	Gillamac Information Technology Center	5 years	1 April 2016	31 March 2021
9 Cauayan	STI Cauayan, Inc.	5 years	1 April 2016	31 March 2021
10 Cotabato	STI College Cotabato, Inc.	5 years	1 April 2016	31 March 2021
11 Dasmariñas	STI College Dasmariñas, Inc.	5 years	1 April 2016	31 March 2021
12 Dipolog	Gillamac Information Technology Center	5 years	1 April 2016	31 March 2021
13 Dumaguete	Gillamac Information Technology, Inc.	5 years	1 April 2016	31 March 2021
14 Ilagan	STI Ilagan Inc.	5 years	1 April 2016	31 March 2021
15 Koronadal	STI College – Koronadal City, Inc.	5 years	1 April 2016	31 March 2021
16 La Union	STI College San Fernando City, Inc.	5 years	1 April 2016	31 March 2021
17 Maasin	PCSY Development Corp.	5 years	1 April 2016	31 March 2021
18 Malolos	STI College Malolos City Bulacan, Inc.	5 years	1 April 2016	31 March 2021
19 Marikina	STI – College Marikina, Inc.	5 years	1 April 2016	31 March 2021
20 Muñoz - Edsa	STI College Muñoz-EDSA	5 years	1 April 2016	31 March 2021
21 Ormoc	STI College – Ormoc, Inc.	5 years	1 April 2016	31 March 2021
22 Parañaque	STI Computer College of Parañaque Inc.	5 years	1 April 2016	31 March 2021
23 Pasay	STI College Pasay, Inc.	5 years	1 April 2016	31 March 2021
24 Quezon Ave.	STI College Quezon Avenue Inc.	5 years	1 April 2016	31 March 2021
25 Recto	STI College Recto, Inc.	5 years	1 April 2016	31 March 2021
26 Rosario	STI College Rosario, Inc.	5 years	1 April 2016	31 March 2021
27 San Fernando	Syllabus, Inc.	5 years	1 April 2016	31 March 2021
28 San Francisco	Gillamac Information Technology Center, Inc.	5 years	1 April 2016	31 March 2021
29 San Jose	STI San Jose – Nueva Ecija, Inc.	5 years	1 April 2016	31 March 2021
30 Sta. Maria	STI College Santa Maria, Inc.	5 years	1 April 2016	31 March 2021
31 Sta. Rosa	STI College Santa Rosa, Inc.	5 years	1 April 2016	31 March 2021
32 Surigao	STI College Surigao, Inc.	5 years	1 April 2016	31 March 2021
33 Tacurong	STI College – Koronadal City, Inc.	5 years	1 April 2016	31 March 2021
34 Tagaytay	STI Tagaytay, Inc.	5 years	1 April 2016	31 March 2021
35 Tagbilaran	STI College Tagbilaran, Inc.	5 years	1 April 2016	31 March 2021
36 Tanay	STI College Tanay, Inc.	5 years	1 April 2016	31 March 2021

37	Tarlac	Systems Institute College – Tarlac, Inc.	5 years	1 April 2016	31 March 2021
39	Vigan	STI Vigan Incorporated	5 years	1 April 2016	31 March 2021
39	Zamboanga	Sungold Technologies	5 years	1 April 2016	31 March 2021

Deed of Assignment by and between STI Diamond College, Inc. dated April 2016

On 1 April 2016, STI Diamond entered into a Deed of Assignment with STI Novaliches, where STI Diamond assigned, transferred, and conveyed in a manner absolute and irrevocable, and free and clear of all liens and encumbrances, to STI Novaliches all its rights, title, and interest in its assets worth PHP86.95 million, more or less, and liabilities worth, PHP11.3 million, more or less, at a price of PHP75 million, payable over five years.

Deed of Absolute Sale by and between STI ESG and STI Holdings dated September 2016

On September 27, 2016, STI ESG entered into a deed of sale with STI Holdings wherein the former sells, assigns, transfer and delivers in full its absolute title over one hundred million (100,000,000) common shares with par value of One Peso (PHP1.00) per share of iACADEMY for a consideration of PHP113.5 million. The rights, interest, and title in and to the Shares sold by the Seller to the Buyer shall include:

- a. Any and all cash, stock, and property dividends declared and may be declared by iACADEMY from and after the execution of this deed.
- b. all other rights accruing on the shares
- c. proceeds of the sale.

Contracts of Lease

The following table presents a summary of the lease contracts entered into by the Company:

Lessee	Lessor/s	Leased Premises	Execution	Lease Amount	Term
STI Calamba					
STI ESG	BDO Unibank, Inc	Lot 997-A-2, National Road, Barangay Real, Calamba City	13-May-16	PhP436,576	Twenty-five (25) years beginning on 1 May 2016 and expiring on 30 April 2041
STI CDO					
STI ESG	Jofelmor Corporation	1st and 2nd Floors of Units 1 and 2 and second floor of Unit 3 of Jofelmar Building	26-Aug-16	PhP208,026	One (1) year beginning on 1 August 2016 and expiring on 31 July 2017
STI Cebu					
STI ESG	SWYC Development Corporation	Salinas Drive, Lahug, Cebu City	1-Nov-16	PhP277,295	Three (3) years beginning on 1 June 2016 and expiring on 31 May 2019
STI Dagupan					
STI College Dagupan, Inc.	Dr. Virginia De Venecia Laza	three storey building located at Arellano St., Dagupan City in a total area of 1,029 square meters	28-Apr-10	PhP200,000	Ten (10) years beginning on 1 January 2010 and expiring on 31 December 2019
STI Davao					
STI ESG	Edison Lim	Five (4)-storey commercial building located at 506 JP Laurel Avenue, Davao City	07-Mar-17	PhP258,471	Two (2) years beginning on 1 July 2016 and expiring on June 30, 2018

STI ESG	Nixon D. Lim	Four (4)-storey commercial building located at 506 JP Laurel Avenue, Davao City	07-Mar-17	PhP258,471	Two (2) years beginning on 1 July 2016 and expiring on 30 June 2018
STI Fairview					
STI ESG	Elenita R. Tecson, Emmanuel Tecson, Jason Centino, Klarance Tecson, Marcelo Tecson, Marcelo Tecson, Jr., Maria Rosecelle Centino, Marietta Tecson, Rommanoel Tecson, Rubilyn Tecson, Shiela Tecson	Portion of a commercial building on Lot 10, Block 42, No. 66 Regalado Avenue, North Fairview, Quezon City	06-Jun-13	PhP395,140	Ten (10) years beginning on 1 June 2013 and expiring on 30 June 2023
STI ESG	Marcelo Tecson; Rubilyn Santa Cruz	Lot 12 Block 42, No. 64 Regalado Avenue, North Fairview, Quezon city	09-Sep-10	PhP75,364	Ten (10) years beginning on 1 November 2010 and expiring on 30 November 2020
STI ESG	Maximino B. Colong, Guillerma C. Colobong	Lot 8 Block 42 Regalado Avenue, North Fairview Quezon City	03-June-15	PhP94,507	Five (5) years beginning on 1 March 2015 and expiring on 31 March 2020
STI Global City					
STI ESG	Bases Conversion and Development Authority (BCDA)	2,632, sq.m composed of two (2) parcels , located in the Bonifacio Global City	13-Sep-07	PhP563,774	Twenty-five (25) years beginning on 1 August 2007 and expiring on 30 August 2032
STI Iligan					
STI ESG	Angelito L. Lat	Three (3)-storey commercial building known as LAT Commercial Building, Quezon Avenue cor. Mabini Street and De Leon Street, Iligan City	27-Mar-08	PhP114,000	Ten (10) years beginning on 2 May 2008 and expiring on 31 May 2018
STI Kalibo					

STI ESG	Felma R. Dela Cruz	Commercial building located at No. 365 Reloj Dela Cruz Building, Capitol Site, Estancia, Kalibo, Aklan	30-Jun-10	PhP137,483	One (1) year beginning on 1 July 2016 and expiring on 1 July 2017
STI Laoag					
STI ESG	Purisma A. Bueno, Robert Patrick A. Bueno	Bueno's Building, J.P. Rizal cor Don E. Ruiz St., Laoag City	01-Aug-16	PhP300,300	One (1) year beginning on 1 August 2016 and expiring on 31 July 2017
STI Legaspi					
STI ESG	Francis John Muñoz Marfil	A building located at No. 692 Rizal St., Legazpi City	24-Feb-98	PhP40,000	Twenty (20) years beginning on 1 June 1998 and expiring on 30 June 2018
STI Lipa					
STI Lipa Inc.	VIMARQ Incorporated	2 nd and 3 rd Floor of a building along C.M. Recto Avenue, Lipa City	22-Oct-15	PhP176,971	Two (2) years beginning on 1 June 2015 and expiring on 31 May 2017
STI Lipa Inc.	Car Holdings Corp	3rd floor FNR Bldg #2 C.M. Recto Avenue, Bgy 9, Lipa City	12-July-2016	PhP47,368	Two (2) years beginning on 1 April 2016 and expiring on 31 March 31,2017
STI Lucena					
STI ESG	First Optima Realty Corporation	Poblacion , Lucena City	07-Jan-14	PhP194,746	Twenty -five (25) years beginning on 1 January 2014 and expiring on 1 January 2039
STI Malaybalay					
STI ESG	Anson Tan	2 nd and 3 rd Floor of MS Building, Fortich St., Malaybalay City, Bukidnon	17-Jun-11	PhP80,000	Six (6) years beginning on 17 June 2011 and expiring on 16 June 2017
STI Makati					

STI ESG	Pioneer Stationers, Incorporated	Ground Floor, 2nd to 5th Floors Pioneer Stationers Building at 250G. Puyat Avenue, Makati City	05-Oct-15	PhP1,064,183	Two (2) years beginning on 16 June 2015 and expiring on 15 June 2017
STI Meycauayan					
STI ESG	J.P. Hermoso Realty Inc	2nd Floor of the building with an area of 1,720 sq.m and also ground floor with an area of 661.20 sq. m.	30-Jun-14	PhP255,780	Five (5) years beginning on 1 March 2014 and expiring on 28 February 2019
STI Pagadian					
STI Pagadian	Antonio M. Duran, Emma D. Duran	Two (2)-storey building known as Antonio M. Duran Building, Lot No. 8853E, F, G, Rizal Avenue, Pagadian City	01-Oct-12	PhP40,000	Ten (10) years beginning on 1 November 2012 and expiring on 31 October 2022
STI Puerto Princesa					
STI ESG	Ceferino S. Dimalanta	2 nd Floor, CSD Building, Lacao St., Puerto Princesa City, Palawan, containing an area of approximately 140 sq. m.	23-Jun-09	PhP22,400	Ten (10) years beginning on 1 June 2008 and expiring on 31 May 2017, with implied extension upon continued occupation of Lessee after expiration
STI ESG	Ceferino S. Dimalanta	2 nd Floor, CSD Building, Lacao St., Puerto Princesa City, Palawan, containing an area of approximately 412 sq. m.	23-Jun-09	PhP89,600	Ten (10) years beginning on 1 January 2008 and expiring on 31 December 2017
STI DLS Quezon Avenue					
STI College Quezon Avenue, Inc.	FORTUNEGLOBAL REALTY INC	4-storey building at #133 Quezon Ave, Quezon City	14-Jul-16	PhP609,000	Five (5) years beginning on 1 August 2016 and expiring on 31 July 2021

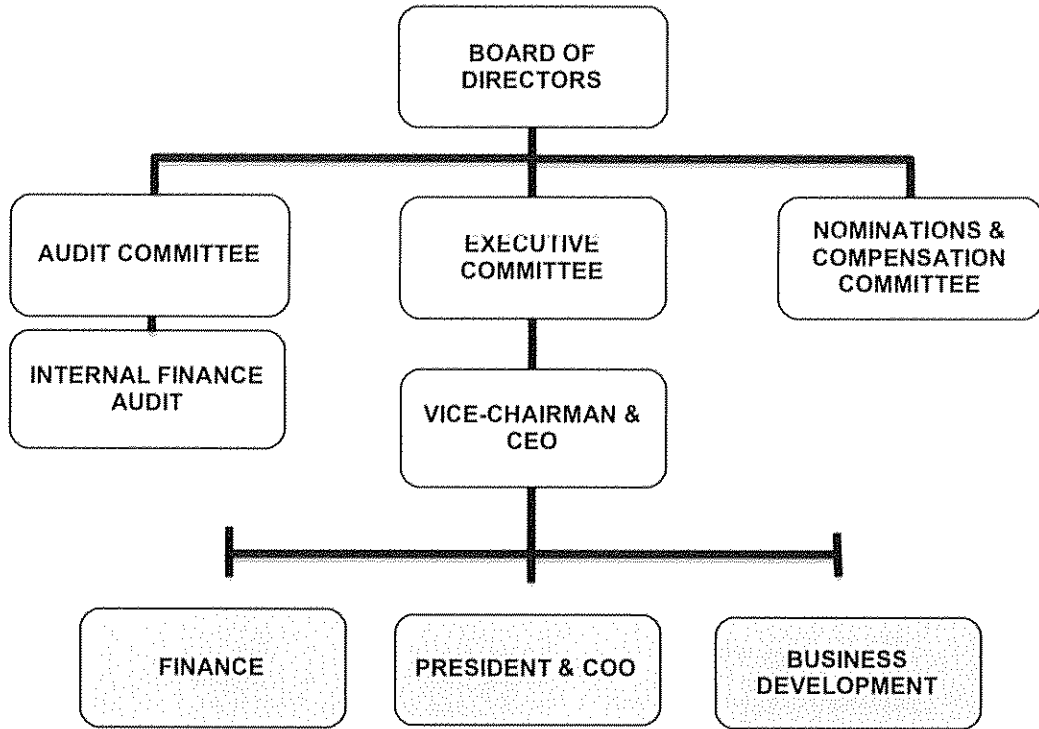
STI San Pablo						
STI San Pablo	Busy People	First, Second & Third Floors of Lim Chok Building	22-May-15	PhP697,760	Two (2) years beginning on 1 June 2015 and expiring on 31 May 2017	
STI Shaw Boulevard						
STI ESG	Mayar International Philippines Inc.	TG Building, 25 Shaw Boulevard, Pasig City	16-Apr-08	PhP511,560	Ten (10) years beginning on 16 April 2008 and expiring on 15 April 2018	
STI Sta. Cruz						
STI ESG	Emelita F. Ching	4 storey building located at 1522 King's Grace Building P. Guevara Avenue, Sta. Cruz, Laguna	02-Apr-13	232,473	Five (5) years beginning on 1 April 2013 and expiring on 31 March 2018	
STI Taft						
STI College - Taft	ROL Realty Corporation	four-storey building located at 2133 Taft Avenue, Phils	28-Mar-16	PhP1,016,638	One (1) year beginning on 1 April 2016 and expiring on 31 March 2017	
STI Tagum						
STI ESG	Wheeltek Motor Corporation	Third , Fourth & Fifth Floors of Building 1, and First, Second and Third Floors of Building 2	02-Oct-14	PhP168,000	Ten (10) years beginning on 16 July 2014 and expiring on 15 July 2024	
STI Tanauan						
STI College Tanauan	Dominga Mallillin	Parcel of Land at No. 7A Mabini Avenue, Tanauan City, Batangas	19-Jun-12	PhP8,000	Six (6) years beginning on 16 May 2012 and expiring on 15 April 2018	
STI College Tanauan	Soledad C Leus	Parcel of Land at No. 5A Mabini Avenue, Tanauan City, Batangas	23-Nov-07	PhP75,000	Ten (10) years beginning on 1 March 2008 and expiring on 28 February 2018	
STI Tuguegarao						

STI Tuguegarao, Inc.	Lorinel Melad, Ramilo Melad & Cecilia Melad	four-storey building located inclusive of a Penthouse and Roof Deck with a total area of 1,154 square meters	18-Mar-10	PhP70,000	Ten (10) years beginning on 17 January 2010 and expiring on 17 January 2020
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The lease amount stated refers to the stipulated rate at the start of the lease agreement and may be subject to escalation based on the provisions stated in the respective contracts. The lease contracts are renewable upon the discretion of the parties under the terms and conditions mutually agreed upon by both parties of the contract. The contracts provide for pre-termination/termination of existing contracts in accordance with the provisions of existing lease agreements

Insurance Contracts

STI ESG has a comprehensive general liability insurance with Philippines First Insurance Corporation. In addition, STI ESG has an all-risk property insurance covering damage caused by casualty loss (such as fire, natural disasters or certain acts of terrorism), life and accident and group hospitalization insurance for its employees. STI ESG's operations manual also requires its franchisees to procure student insurance to cover personal harm to students. STI ESG does not carry business interruption insurance.



Employees

As of 30 September 2016, STI ESG has 2,322 employees, 1,615 of whom are faculty members, 488 non-teaching personnel, and 219 employees from the head office. STI ESG provides employees with developmental programs that assist them in effectively carrying out their jobs and prepare them for career advancement.

Significant Employees

In general, the Company values its human resources and expects the employees to do their share in achieving the Company’s set objectives. No single person is expected to make a significant contribution to the business since the Company considers the collective efforts of all its employees as instrumental to the success of the Company.

Family Relationships

Mr. Joseph Augustin L. Tanco is the son of Mr. Eusebio H. Tanco. Ms. Ma. Vanessa Rose L. Tanco is the daughter of Mr. Eusebio H. Tanco. Mr. Martin Tanco and Mr. Eusebio H. Tanco are cousins. Aside from the ones disclosed none of the directors or executive officers of the Company are related.

Description of Property

As of the date of this Prospectus, the Company owns several parcels of land and properties as described below. Except as otherwise disclosed, said properties are not subject to any lien or encumbrance of any kind.

STI ESG has an extensive list of properties that are either owned or under long-term lease which serve as sites for campuses, warehouses, and investment. The following table sets forth information on the properties which STI ESG owns.

	School/Location	PATICULARS	Title	Tax Declaration No.
1	Sto. Tomas, Baguio	Land	TCT No. T-80883	ARPN 01-05010-021016
2	Cebu City	Land	TCT No. T-15606	GRC6-04-028-06434
3	Almanza, Las Piñas	3 condo units + 3 parking slots	CCT No. C-3597	E-018-07573
			CCT No. C-3598	E-018-07574
			CCT No. C-3599	E-018-07575
			CCT No. C-3609	E-018-07573
			CCT No. C-3610	E-018-07574
			CCT No. C-3611	E-018-07575
4	Ayala Avenue, Makati City	5 condo units	CCT No. 75769	33534
			CCT No. 75770	33535
			CCT No. 75771	33536
			CCT No. 75772	33537
			CCT No. 75773	33533
5	Caloocan	Land & Bldg.	TCT T-8909	09-080-00212-13-5
			TCT T-16779	09-080-00191-12-5
6	Novaliches	Land & Bldg.	TCT No. T-004-2011002213	E-097-10800
			TCT No. T-004-2011002214	E-097-10799
			TCT No. T-004-2011002215	E-097-10798
			TCT No. T-004-2011002216	E-097-10797
			Building	D-097-19409
			TCT No. T-004-2011002363	E-097-10801
7	Batangas	Land & Bldg.	TCT No. 052-2013002009	053-06809
			TCT No. 052-2013002011	053-06813
			TCT No. 052-2013002012	053-06807
			TCT No. 052-2013002013	053-06826
			TCT No. 052-2013002014	053-06810
			TCT No. 052-2013002015	053-06808
			TCT No. 052-2013002016	054-06168
			TCT No. 052-2013002020	054-06166
			TCT No. 052-2013002021	053-06811
			TCT No. 052-2013002022	053-06822
			TCT No. 052-2013002023	054-06167

			TCT No. 052-2013002024	053-06823
			TCT No. 052-2013002026	053-06829
			TCT No. 052-2013002028	053-06827
			Building (Driveway)	053-06832
			Building	053-06831
			TCT No. 052-2013002029	053-06825
			TCT No. 052-2013002030	0053-02235
			Building	0053-04229
			TCT No. 052-2013002031	053-06812
			Building	0053-04233
			Building	0053-04234
			Building	0053-04235
8	Lucban, Baguio	Land & Bldg.	TCT T-66629	01-02015-000361
			Building	01-02015-115062
9	BF Homes, Las Piñas (GS)	Land & Bldg.	TCT No. T-68816	E-014-17106
			TCT No. T-68817	E-014-17105
			TCT No. T-69666	E-014-17108
			TCT No. T-69667	E-014-17107
			TCT No. T-70669	E-014-17252
			TCT No. T-70670	E-014-17251
			TCT No. T-70671	E-014-17250
			TCT No. T-70672	E-014-17247
			TCT No. T-71068	E-014-17249
			TCT No. T-71069	E-014-17248
			Building	E-014-17100
10	BF Homes, Las Piñas (HS)	Land & Bldg.	TCT No. T-73124	E-014-16893
			TCT No. T-73126	E-014-16895
			Building	E-014-16897
			TCT No. T-73127	E-014-16896
			TCT No. T-73129	E-014-16894
11	Las Piñas	Land	TCT-005-2014002099	E-011-23422
			Building	E-011-23423
12	STI Kalibo (Kalibo, Aklan)	Land	TCT No. T-39251	4166
			TCT No. T-39252	4164
13	STI Cubao (Quezon City)	Land & Bldg.	TCT No. 004-2013007957	E-109-04091
			TCT No. 239915 (old title)	E-109-03966
			Building	D-109-18135
14	STI Fairview (Quezon City)	Land & Bldg.	TCT N-334863	E-143-09171
			TCT N-334864	E-143-09170
			TCT N-323098	E-143-07527
			Building	D-143-12275
15	STI CDO (Kauswagan, Cagayan de Oro)	Land & Bldg.	TCT No. T-109396	65558
			TCT No. T-109397	35008
16	STI Naga (Camarines Sur, Bicol)	Land & Bldg.	TCT No. T-57300	0801002702663
			Building	0801002702662

17	STI ORCA (Cainta, Rizal)	Land & Bldg.	TCT No. T-068-2012003905	05-0004-29909
			Building	05-0004-31451
			TCT No. T-068-2012003899	05-0004-29903
			TCT No. T-068-2012003904	05-0004-29908
			TCT No. T-068-2012003900	05-0004-29904
			TCT No. T-068-2012003901	05-0004-29905
			TCT No. T-068-2012003903	05-0004-29907
			TCT No. T-068-2012003902	05-0004-29906
18	STI Southwoods (Carmona, Cavite)	Land & Bldg.	TCT No. T-924019	01170
			TCT No. T-548054	01035
			Building	01210
19	STI Valencia (Bukidnon)	Land & Bldg.	TCT No. T-129868	22-001-71563
			Building	22-001-32601
20	Vista de Loro (Ternate, Cavite)	Townhouse	TCT No. CT-391	20-004-01336
21	STI Global City (Fort Bonifacio, Global City)	Bldg.	Building	EB-019-26019
22	STI Lucena (Quezon)	Bldg.	Building	2000-009-01931
23	STI Calamba (Laguna)	Bldg.	Building	AF-00001-01317
24	San Jose Del Monte City, Bulacan	Land	TCT No. 040-2016020849	In Process
			TCT No. 040-2016020850	
25	Caliraya Springs, Cavinti, Laguna	Land	In Process	In Process
26	Gil Puyat Avenue, Makati City	6 condo units	CCT No. 006-2015008813 CCT No. 006-2015008814 CCT No. 006-2015008815 CCT No. 006-2015008816 CCT No. 006-2015008816 CCT No. 006-2015008816 CCT No. 006-2015008817	In Process

Listed in the table below is the campus ownership of franchised schools as of SY 2016-17.

Owned by the School		Owned by STI Franchisee		Leased from other parties			
1	Balagtas	10	Alabang	19	Alaminos	29	Muñoz
2	Bohol	11	Baliuag	20	Angeles	30	Ormoc
3	Dasmariñas	12	Balayan	21	Bacoor	31	Parañaque
4	Koronadal	13	Cotabato	22	Calbayog	32	Pasay
5	La Union	14	General Santos	23	Cauayan	33	Recto
6	Malolos	15	San Francisco	24	Dipolog	34	Rosario
7	Santa Rosa	16	Sta. Maria	25	Dumaguete	35	San Fernando
8	Tacurong	17	Surigao	26	Iligan	35	San Jose
9	Tanay	18	Vigan	27	Maasin	37	Tagaytay
				28	Marikina	38	Tarlac
						39	Zamboanga

Campus Expansion Projects

STI ESG decided to shift its focus on a more organic expansion instead of a geographical expansion. This direction is part of STI ESG's commitment to continuously improve the delivery of education to its students — by ensuring that its schools house state-of-the-art facilities with spacious classrooms, top-of-the-line computer laboratories, and recreational facilities. Thus, STI ESG encouraged the schools to move from rented space into School-Owned Stand-Alone Campuses.

For the last seven (7) years, eleven (11) new school facilities were constructed for eleven (11) existing wholly-owned schools and this has resulted in the additional uptake of around 17,500 new students. STI ESG intends to continue this strategy and build new facilities for more schools.

In Caloocan, a 10-storey building standing on 15,495-square-meter property was unveiled on February 7, 2014 for the transfer of STI College – Caloocan to its new home.

Four campuses were inaugurated in January 2015: the five-storey school building for STI College – Calamba and the newly renovated STI College – Batangas on January 20, the nine-storey building of STI College – Cubao on January 22, and the five-storey building of STI College – Lucena on January 27.

STI College – Las Piñas, on the other hand, was inaugurated on September 28, 2016. The campus is a seven-storey building that stands on a 10,000-square-meter property.

Greenfield development of new schools is also being looked at and two sites have already been identified — San Jose del Monte, Bulacan and Nueva Ecija, Cabanatuan — which are densely populated areas. STI ESG has purchased a 4,178-square-meter property located in Altaraza, San Jose del Monte in April 2014 which is intended for use as a school campus while there are ongoing negotiations with potential sellers in the Cabanatuan area.

Likewise, a number of franchised schools embarked on facilities expansion programs. Two franchised schools embarked on facilities expansion programs in SY 2013-14. The 3,500-square-meter property of STI College – Malolos located along McArthur Highway was completed in time for the 1st semester of SY 2014-15. On the other hand, STI College – Tanay broke ground on March 21, 2014 and started its classes on its new campus in the 2nd semester of SY 2014-15. The 1,200-square-meter property of STI College – Vigan also had its groundbreaking in July 2014 and started its classes on the new campus in the 2nd semester of SY 2015-16. Meanwhile, STI College – Bohol (formerly known as STI College – Tagbilaran) had its inauguration on November 7, 2015. The four-storey building has a total area of 2,200 square meters.

Intellectual Properties

STI ESG owns various trademarks which it uses in the conduct of its business, and which are subject of the License Agreements discussed below. These marks are registered with the IPO, as evidenced by Certificates of Registration.

Mark	Registration Details
	<p>"Vita Educationem STI 1983"</p> <p>Registration No.: 4/2015/00009126 Date of Registration: 7 April 2016 Term: 10 years (until 7 April 2026)</p>
	<p>"College Seal"</p> <p>Registration No.: 4-1997-127617 Date of Registration: 26 May 2006 Term: 20 years (until 26 May 2026)</p>
	<p>"E2E System"</p> <p>Registration No.: 4-2003-010558 Date of Registration: 30 July 2006 Term: 10 years (until 30 July 2016)</p> <p>*Pending application for renewal</p>
	<p>"I-CARES"</p> <p>Registration No.: 4/2013/0000315 Date of Registration: 26 June 2014 Term: 10 years (until 26 June 2024)</p>
	<p>"STI SENIOR HIGH SCHOOL. COLLEGE-READY. JOB-READY. LIFE-READY"</p> <p>Registration No.: 4/2015/00011288 Date of Registration: 7 April 2016 Term: 10 years (until 7 April 2026)</p>
	<p>"STI"</p> <p>Registration No.: 4/2015/00009125 Date of Registration: 14 January 2016 Term: 10 years (until 14 January 2026)</p>
	<p>"Be job-read. Be STI."</p> <p>Registration No.: 4/2015/00011289 Date of Registration: 14 January 2016 Term: 10 years (until 14 January 2026)</p>
<p>"ENROLLMENT TO EMPLOYMENT"</p>	<p>"Enrollment to Employment"</p> <p>Registration No.: 4/2016/00011197 Date of Registration: 24 November 2016 Term: 10 years (until 24 November 2026)</p>

Legal Proceedings

The Company is not aware of any events during the past five years up to the date of this report that are material to an evaluation of the ability or integrity of any director, nominee for election as director, executive officer, underwriter or controlling person of the Company:

1. any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
2. any conviction by final judgment, including the nature of the offense, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;
3. being subject to any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; and
4. being found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended or vacated.

However, the Company is involved in the following legal proceedings, which while the Company believes are nuisance cases and without any merit, are being disclosed for the investors' information:

Girly G. Ico vs. Systems Technology Institute, Inc., et al.
NLRC NCR Case No. 00-06-07767-04
National Labor Relations Commission

Systems Technology Institute, Inc., vs. Hon. Renaldo O. Hernandez, Sheriff Raymond C. Lomugdang, and Girly G. Ico
LER CN 10291-15

Systems Technology Institute, Inc., vs. Hon. Renaldo O. Hernandez, and Girly G. Ico
LER CN 10-303-15
National Labor Relations Commission

Girly G. Ico v. National Labor Relations Commission and Systems Technology Institute, Inc., and/or Monico V. Jacob (President & Chief Executive Officer), Jeanette B. Fabul (SR. VP Corporate Services Division), Peter K. Fernandez (SR VP Education Management Division), Yolanda R. Briones (Human Resources Management & Organization Development HRMOD) CA GR SP No. 147219 Sixth Division, Court of Appeals

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 PhP3.0 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 PhP2.2 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 PhP2.2 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, 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 PhP2.2 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 the inhibition of the Labor Arbiter from continuing the execution proceedings of 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 nonexhaustion 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 ("PMC-CA"). 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.

The parties have commenced the mediation proceedings with the PMC-CA wherein STI ESG has already presented its offer to its former employee. STI ESG is waiting for the counter-proposal of the former employee. The parties have scheduled the mediation conference on 31 March 2017. Should the parties fail to settle, the case shall be referred to the Court of Appeals, which will render its decision on the former employee's Petition for Certiorari regarding the Decision of the NLRC on the computation of her backwages and inhibition of the handling labor arbiter.

Further, the pre-execution conference of the monetary award of the former employee is deemed suspended pending the transfer of the records of the case to a new labor arbiter and/or the resolution on the former employee's Petition for Certiorari.

**Kingslee Ofulencia Dela Cruz vs. STI Academic
Center/ Monico V. Jacob/Jei Isip
NLRC CASE NO. RAB IV 1-00080-16-L
National Labor Relations Commission**

A former part-time full-load faculty member of STI College Calamba, a school owned by STI ESG, filed an illegal dismissal case against STI College Calamba after his contract was not renewed. Complainant's timekeeping records when he was still employed with STI College Calamba show that he was not using the biometrics when reporting for work, as reported by the security personnel thereof. In light thereof,

complainant was issued a notice to explain his infraction, along with other different memos for some other transgressions. However, since his contract was about to end at the time, the school administration, instead, decided not to renew his contract for the following semester given his conduct during the semester. After complainant processed his clearance, he refused to receive his final pay, which reflected his actual attendance on record, on the ground that the amount of the check is not correct. There is no decision by the Labor Arbiter (LA) as of yet.

Esther K. Bobis vs. STI College-Cagayan de Oro and/or Mario U. Malferrari
NLRC CASE NO. RAB 10-09-00747-2015
National Labor Relations Commission

Esther K. Bobis vs. STI College-Cagayan de Oro and Mario Malferrari, School Administrator
NLRC-MAC-03-014355-2016
National Labor Relations Commission

A former IT Instructor who eventually became the IT Program Head of STI College Cagayan de Oro, a school owned by STI ESG, filed an illegal dismissal case against STI College Cagayan de Oro on the ground that she was constructively dismissed when upon returning from preventive suspension, she allegedly no longer had any work to go back to because the STI ESG-owned company purportedly removed her workplace from the school premises. For its part, STI ESG countered the complainant's claim that she was dismissed by presenting the complainant's one-liner resignation letter.

The LA decided that there was neither an illegal dismissal nor resignation to speak of in this case, hence, the parties were ordered to return to status quo which meant reinstatement of complainant to her former position but without backwages, separation pay, or similar benefits. Nevertheless, STI was ordered to pay complainant the amount of PhP7,350 representing her unpaid salary for the period March 10-30, 2014. However, the NLRC overturned the LA's decision upon a dubious motion for partial reconsideration declaring complainant to have been illegally dismissed and ordering STI ESG not only to reinstate her but also to pay her full backwages computed from the time compensation was withheld up to the date of actual reinstatement. STI ESG moved to reconsider the NLRC's decision but to no avail. At present, a Petition for Certiorari questioning the decision of the NLRC is pending before the Court of Appeals.

Analiza M. Agarpao vs. STI College and/or Eusebio Tanco, Christopher Maque and Dr. Dana Tebia
NLRC CASE NO. NCR-02-02072-12
National Labor Relations Commission

Analiza M. Agarpao vs. STI College and Eusebio Tanco, et al.
NLRC LAC NO.-11-003318-12
National Labor Relations Commission

STI College (Global City), Eusebio Tanco, et al. vs. National Labor Relations Commission (NLRC) & Analiza M. Agarpao
C.A. G.R. SP No.131754
Court of Appeals

This case emanated from a complaint for illegal dismissal, non-payment of salaries/wages, service incentive leave, 13th month pay, separation pay, and moral damages against STI College Global City, a school owned by STI ESG. The complainant was STI College Global City's registrar who was left to perform the task of a registrar and an assistant registrar when the personnel occupying the position of

assistant registrar resigned from employment. Eventually, complainant was terminated from employment on the ground of willful disobedience and insubordination, a ground different from what complainant was charged with.

In its August 9, 2012 Decision, the LA declared complainant's dismissal illegal and awarded complainant the monetary award consisting of separation pay in lieu of reinstatement amounting to PhP97,240.00, backwages amounting to PhP49,261.24, unpaid salary for the period she was placed under preventive suspension amounting to PhP1,498.62, 13th month pay amounting to PhP958.21, moral and exemplary damages amounting to PhP200,000.00 and attorney's fees amounting to PhP15,895.80, for a total amount of PhP374,853.87.

On appeal, the NLRC, in its February 5, 2013 Decision, affirmed the LA Decision with modification that the award for moral and exemplary damages is deleted it appearing that the dismissal of complainant is not attended with bad faith. The NLRC decision became final and executory on May 24, 2013.

On May 31, 2013, STI College Legazpi filed before the Court of Appeals a Petition for Certiorari assailing the Decision(s) of the LA and the NLRC. On September 30, 2013, complainant moved for the execution of the decision of the NLRC with a recomputation of the monetary award based on the date of finality of the order and entry of judgment.

Meanwhile, the Court of Appeals promulgated its October 1, 2013 Decision denying the Petition for Certiorari filed by STI. On February 18, 2014, the LA issued an order to release the surety bond for the case, which order was complied with on March 11, 2014 in the amount of PhP1 76,996.68. On September 9, 2014, complainant filed another motion for execution assailing that a recomputation of the award is necessary on the basis of date of finality of judgment in the Court of Appeals on February 10, 2014 since the amount was computed on the basis of the date of decision of the LA. Complainant claims that a recomputation of the award shows that she is entitled to the total amount of PhP375,383.39 and since she already received PhP 74,854.87, she is purportedly still entitled to PhP200,529.52. To this date, the NLRC has still not acted on the said motion for execution.

**Luningning Z. Brazil, Salvacion L. Garcera, and
Rita S. De Mesa vs. STI Education Services Group,
Inc. and Monico V. Jacob NLRC RAB V CASE NO.
07-00153-11
National Labor Relations Commission**

**Luningning Z. Brazil, Salvacion L. Garcera, and
Rita S. De Mesa vs. STI Education Services Group,
Inc. and Monico V. Jacob
NLRC LAC No. 03-001018-12
National Labor Relations Commission**

**Luningning Brazil, Salvacion L. Garcera, and
Rita S. De Mesa vs. National Labor Relations
Commission, STI Education Services Group, Inc. and
Monico V. Jacob
CA-G.R. SP No. 134584
Court of Appeals**

Former part-time faculty members of STI College Davao who were erroneously issued employment contracts for regular employees filed an illegal dismissal case against STI College Davao, a school owned by STI ESG, following their stubborn refusal to sign their respective job offers as required by CHED. The LA rendered a Decision finding the complainants as regular employees of STI ESG; declaring the Company as guilty of illegal dismissal; and ordering the Company to pay them separation pay of P220,913.40; P176,730.73; P147,175.60, respectively, plus backwages, moral and exemplary damages of P200,000.00 each, plus 10% attorney's fees.

Upon appeal to the NLRC, the case filed by one of the faculty members was dropped, while the rest of the Decision was affirmed. Accordingly, a Motion for Reconsideration of the NLRC Decision was filed wherein it prayed for the dismissal of the complaints of Brazil and Garcera as well, invoking well-settled cases as jurisprudential authorities to persuade the NLRC to dismiss the cases against the Company.

As it developed, STI ESG prevailed at the NLRC, and the complaint was dismissed. The former faculty members assailed said Decision of the NLRC at the Court of Appeals which denied the Petition.

Both parties here may have been mistaken in believing that the former faculty members have become regular faculty members by their length of service and seemingly satisfactory performance. Because of such incorrect grant of regular employment status, STI ESG, for years, have paid to complainants the salaries and benefits ought to be received by regular faculty members, which they did not deserve considering their failure to meet the qualifications set out in the MORPS and MORPHE. To punish STI ESG for such act of giving Petitioners more than what they deserve would run contrary to the basic tenets of equity and justice. In fact, STI sought to remedy its mistake by formulating its two-year compliance consideration program, wherein affected teachers such as complainants shall continue to receive the same benefits they are currently enjoying, subject to the completion of their master's degree within a period of two (2) years. Even complainants admitted that their job offers stipulated a higher monthly salary. In spite of all these, complainants chose not to sign the said job offers.

At present, there is a pending motion for reconsideration of the said decision filed by the former faculty members.

**Gan Tiak Kheng and Kelvin Y. Gan vs. STI
College Cebu, Inc. and Amiel C. Sangalang
Civil Case No. 15-135138
Branch 6, Regional Trial Court
City of Manila**

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, 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, 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 Plaintiffs' Position Paper. STI ESG, on April 13, 2016, filed its Position Paper. On April 14, 2016, STI ESG filed a Manifestation with an attached Position Paper. On August 2, 2016, STI ESG received the Plaintiffs' Motion to Resolve, which seeks for the resolution of all pending incidents.

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

On August 12, 2016, the hearing on the Motion to Resolve proceeded wherein STI ESG 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.

As of the date of the report, the case is pending resolution by the Trial Court.

**Tristan Jules P. Maningo representing STI
Education Services Group, Inc. v. Cristian N.
Monreal NPS Docket No. XV-16-INV14L01174
Office of the City Prosecutor, Taguig City
ACP Vincent L. Villena**

This is a criminal case for qualified theft filed against Mr. Cristian N. Monreal, the School Accounting Supervisor of STI Global City, a school owned by STI ESG from 5 November 2012 until his resignation on 28 February 2014. Mr. Monreal also served as the Acting School Accountant of STI College Global City from January 2013 until his resignation.

Mr. Monreal manipulated the payroll registers of STI College Global City by including Ms. Raissa Torrente - a former faculty member of STI College Global City - in the payroll registers and placing a corresponding salary and 13th month pay beside her name. The salary of Ms. Torrente was deposited in a Bank Account belonging to Mr. Monreal. The total amount deposited to the Bank Account of Mr. Monreal through this scheme amounted to Two Hundred One Thousand Forty-Seven Pesos and Sixty Three Centavos (Php201,047.63).

On 10 December 2014, the Complaint- Affidavit against Mr. Monreal was filed with Office of the City Prosecutor of Taguig City. The case was raffled to Assistant City Prosecutor Vincent L. Villena ("ACP Villena").

The summons served to Mr. Monreal was returned undelivered with remarks "no such person". STI ESG provided the Office of ACP Villena with additional addresses where summons may be served to Mr. Monreal. The Preliminary Investigation Conferences was scheduled on 14 April 2015 and 21 April 2015.

Mr. Monreal did not appear on the Preliminary Investigation Conferences held on 14 April 2015 and 21 April 2015. After the 21 April 2015 Preliminary Investigation Conference, ACP Villena deemed the case submitted for resolution.

On 8 September 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.

**Commissioner of Internal Revenue vs. STI
Education Services Group, Inc.
CTA Case No. 7984
Court of Tax Appeals - 2nd Division**

**Commissioner of Internal Revenue vs. STI
Education Services Group, Inc.
CTA EB No. 1050
Court of Tax Appeals - En Banc**

**Commissioner of Internal Revenue vs. STI
Education Services Group, Inc.
G.R. No. 220835
Supreme Court - First Division**

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 PhP124.3 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 its reply to STI ESG's Comment.

**Global Academy of Technology and
Entrepreneurship, Inc. (formerly STI-College-
Santiago, Inc.) vs. STI
Education Services Group, Inc.
Civil Case No. 16-02676
Branch 58, Regional Trial Court
Makati City**

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 ₱500,000.00, (b) exemplary damages in the amount of ₱500,000.00 and (c) attorney's fees in the amount of 15% of the amount to be awarded and ₱3,000.00 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 alleged 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 alleged in bad faith.

Considering the filing of the Comment/Opposition, the Trial Court required STI ESG to file its Reply within 10 days from February 3, 2017 or until February 13, 2017 while GATE has 10 days from its receipt of the Reply to file its Rejoinder.

After the filing of the Rejoinder, the Motion to Dismiss Ad Cautelam of STI ESG is deemed submitted for resolution.

**Engr. Jerry D. Barbacena vs. STI College – Ortigas
Cainta Branch, Monico V. Jacob, et. al.
NLRC CASE NO. RAB IV 09-01415-14-R
National Labor Relations Commission**

A former part-time full-load faculty member, whose contract was not renewed following the semester when an administrative complaint was decided against his favor, filed a case of illegal preventive suspension, constructive illegal dismissal, as well as illegal suspension.

By way of background, complainant was charged with committing misdemeanors that constitute violation of STI Code of Conduct for allegedly using malicious, discriminating, disrespectful, indecent, offensive remarks against his students during class and for allegedly leaking examination to the students. By virtue of the complaints received by the school, he was preventively suspended due to the sensitive nature of his position and the seriousness of the charges against him. Complainant failed to attend the hearings set for the purpose, thus, the preventive suspension was extended. Instead of attending to the hearings, complainant filed the instant labor case. The LA rendered a Decision finding complainant to have been constructively dismissed by STI and ordering STI to pay him his separation pay with full backwages in the total amount of P327,375.00.

Upon appeal to the NLRC, the LA's decision was modified deleting the award for backwages and separation pay after the Commission accepted the proof of payment of complainant-appellee's salary during his preventive suspension. Thus, NLRC ordered STI to pay only for the remaining salaries of complainant-appellee from 16 to 31 October 2014 in the amount of P8,653.80 covering his unexpired fixed term and his proportionate 13th month pay in the amount of P11,837.44. On August 3, 2016, the NLRC issued an Entry of Judgment for the said resolution.

On January 4, 2017, STI received a Motion for Reconsideration filed by Engr. Barbacena alleging that he only received the NLRC Resolution on December 7, 2016 due to the failure of Air21 to locate his residence. STI filed an Opposition/Comment to counter the said Motion for Reconsideration.

Dividends on the Common Shares

The Company's Board is authorised to declare dividends. A cash dividend declaration does not require any further approval from the Company's shareholders. A stock dividend declaration requires the further approval of shareholders representing not less than two-thirds of the Company's outstanding capital stock.

It is the policy of the Company to declare dividends whenever there are unrestricted retained earnings available. Such declaration will take into consideration factors such as restrictions that may be imposed by current and prospective financial covenants; projected levels of operating results, working capital needs and long-term capital expenditures; and regulatory requirements on dividend payments, among others.

Dividend History:

Declaration Date	Dividends per Share	Amount
September 20, 2016	PhP0.27	PhP832.1 million
September 9, 2016	PhP0.08	PhP246.5 million
September 4, 2015	PhP0.08	PhP250.0 million
September 4, 2014	PhP0.08	PhP250.0 million
August 29, 2013	PhP0.08	PhP250.0 million
November 21, 2012	PhP0.03	PhP100.0 million

On 9 August 2014, the STI ESG's BOD approved the reversal of the appropriation of retained earnings made in 2012 for future expansions of nine schools amounting to PhP800.0 million. On the same date, STI ESG's BOD approved the cash dividends declaration amounting to PhP250.0 million of PhP0.08 per share, in favor of the stockholders of record as of 31 July 2013. Such dividends were paid on 30 August 2013.

On 4 September 2014, STI ESG's BOD approved the cash dividend declaration amounting to PhP250.0 million, or PhP0.08 per share, in favor of the stockholders of record as at 31 August 2014. Such dividends were paid on 22 September 2014.

On September 4, 2015, STI ESG's BOD approved the cash dividends declaration amounting to PhP250.0 million, or PhP0.08 per share, in favor of the stockholders of record as at 31 August 2015. Such dividends were paid on September 16, 2015.

On September 9, 2016, STI ESG's BOD approved the cash dividends declaration amounting to PhP246.5 million, or PhP0.08 per share, in favor of the stockholders of record as at September 9, 2016. Such dividends were paid on September 15, 2016. On September 20, 2016, STI ESG's BOD also approved the cash dividends declaration amounting to PhP832.1 million, or PhP0.27 per share, in favor of stockholders of record as at September 20, 2016. The Company paid P431.5 million and P400.6 million dividends to its stockholders on September 23, 2016 and November 3, 2016, respectively.

Ownership and Capitalization

The authorized capital stock of the Company is Five Billion Pesos (PhP5,000,000,000.00) and consists of Five Billion (5,000,000,000) Common Shares with a par value of One Peso (PhP1.00) per share.

The number of shareholders of record as of 30 September 2016 is fifty eight (58) shareholders. Capital stock issued and outstanding as of 30 September 2016 is 3,081,871,859 common shares at par value of PhP1.00 per share.

Foreign ownership limit for STI ESG is forty percent (40%) of the issued and outstanding common shares, equivalent to 1,232,748,744 common shares. Total shares owned by foreign shareholders as of 30 September 2016 was 7,841,118, equivalent to 0.25% of the outstanding common shares of the Company.

The top Twenty (20) shareholders as of 30 September 2016, are as follows:

	Name	Name of Beneficial Owner	Nationality	No of Shares Owned	% Ownership
1	STI HOLDINGS	Direct Owner	Fil	3,040,623,037	98.66
2	PRUDENT RESOURCES, INC.	Direct Owner	Fil	13,011,256	0.42
3	GONZALES, FRANCISCO B. JR.	Direct Owner	Fil	8,873,692	0.29
4	ROSSI, PURIFICACION G.	Direct Owner	Non-Fil	7,841,118	0.25
5	PRUDENCIO, TOMAS J.	Direct Owner	Fil	3,732,400	0.12
6	SANTOS, ELIAS V.	Direct Owner	Fil	1,725,000	0.06
7	YOUNG, CAROLINA	Direct Owner	Fil	1,651,828	0.05
8	RAMOS, DULCE	Direct Owner	Fil	1,155,447	0.04
9	BUSTOS, FELIXBERTO	Direct Owner	Fil	792,283	0.03
10	JAYME, CESAR M. JR.	Direct Owner	Fil	305,954	0.01
11	DOMINGO, EMERITA R.	Direct Owner	Fil	303,466	0.01
12	VALERIO, MIKAEL M.S.	Direct Owner	Fil	241,279	0.01
13	ZARASPE, ANACLETA C.	Direct Owner	Fil	214,038	0.01
14	MONES, REYNALDO A.	Direct Owner	Fil	201,901	0.01
15	HEIRS OF EDGAR SARTE	Direct Owner	Fil	148,622	0.01
16	RELLEVE, ALVIN K.	Direct Owner	Fil	137,338	0.00

17	PUBLICO, EDGARDO	Direct Owner	Fil	122,080	0.00
18	DUJUA, JOCELYN	Direct Owner	Fil	115,532	0.00
19	GARCIA, NOEL B.	Direct Owner	Fil	83,190	0.00
20	MADRIGAL, VICTORIA P.	Direct Owner	Fil	63,384	0.00

Security Ownership of Directors, Management, and Certain Record and Beneficial Owners

The following table sets forth security ownership of the certain record and beneficial owners of more than 5% of the Company's shares, as of September 30, 2016:

Class of Shares	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner	Nationality	Shares Owned	% Ownership
Common	STI Education Systems Holdings, Inc.	Direct Owner	Filipino	3,040,623,037	98.66%

The following table sets forth security ownership of the Company's Directors, and Officers, as of September 30, 2016:

Name of Beneficial Owner	Title of Class	Number of shares	Nature of ownership	Citizenship	%
Jesli A. Lapus	Common	1	(D)	Filipino	0.00%
Monico V. Jacob	Common	2	(Trustee)	Filipino	0.00%
Eusebio H. Tanco	Common	1	(D)	Filipino	0.00%
Peter K. Fernandez	Common	1	(D)	Filipino	0.00%
Raul B. De Mesa	Common	2	(D)	Filipino	0.00%
Joseph Augustin L. Tanco	Common	2	(D)	Filipino	0.00%
Maria Vanessa Rose L. Tanco	Common	1	(D)	Filipino	0.00%
Raniero M. Borja	Common	2	(Trustee)	Filipino	0.00%
Ernest Lawrence Cu	Common	2	(Trustee)	Filipino	0.00%
Joaquin E. Quintos	Common	1	(D)	Filipino	0.00%
Martin K. Tanco	Common	1	(D)	Filipino	0.00%

There is no director or key officer of DD that owns at least 10% of its issued and outstanding shares of common stock or preferred stock.

Voting Trust Holders of 5% or More

There is no voting trust arrangement executed among the holders of 5% or more of the issued and outstanding shares of common stock of STI ESG.

Change in Control

There are no arrangements entered into by STI ESG or any of its stockholders which may result in a change of control of STI ESG.

Directors and Executive Officers

The incumbent Directors and Executive Officers of the Company are as follows:

Office	Name	Age	Citizenship
Chairman and Independent Director	Jesli A. Lapus	66	Filipino
Vice Chairman and CEO	Monico V. Jacob	71	Filipino
Chairman of the Executive Committee	Eusebio H. Tanco	66	Filipino
President & Chief Operating Officer	Peter K. Fernandez	52	Filipino
Director	Raul B. De Mesa	74	Filipino
Director	Joseph Augustin L. Tanco	35	Filipino
Director	Maria Vanessa Rose L. Tanco	38	Filipino
Director	Rainero M. Borja	53	Filipino
Independent Director	Ernest Lawrence Cu	54	Filipino
Independent Director	Joaquin E. Quintos IV	56	Filipino
Director	Martin K. Tanco	51	Filipino
CFO/Treasurer	Yolanda M. Bautista	64	Filipino
Vice President Communications	Engelbert L. De Guzman	46	Filipino
Vice President Comptrollership	Amiel C. Sangalang	45	Filipino
Vice President School Operations	Restituto O. Bundoc	50	Filipino
Vice President Corporate Information Services	Juan Luis Fausto B. Tubongbanua	44	Filipino
Vice President Academics	Teodoro Lloydon C. Bautista	44	Filipino
Vice President Legal	Wilfred S. Racadio	54	Filipino
Assistant Vice President Campus Development	Ferdie T. Fabro	51	Filipino
Assistant Vice President Learning Management	Harry Alfonso L. Joson	54	Filipino
Assistant Vice President Academic Research	Maria Isabel Q. Hipolito	42	Filipino
Assistant Vice President School Management	Shiela A. Magano	44	Filipino
Assistant Vice President Finance	Merliza D. Santos	36	Filipino
Corporate Secretary	Florentino M. Herrera, III	65	Filipino
Assistant Corporate Secretary	Arsenio C. Cabrera, Jr.	56	Filipino

Board of Directors

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

The following are the business experience/s of the Company's Directors for the last five (5) years (or more):

Jesli A. Lapus, 66, Filipino, Independent Director

Mr. Lapus is currently the Chairman and Independent Director of STI ESG. He is also a member of the Executive Committee and the Chairman of the Nomination Committee of STI ESG. He was first elected as Chairman and Independent Director on 25 September 2013.

Mr. Lapus was also elected as Director of STI Holdings on 21 March 2013. He was then elected as an Independent Director of STI Holdings at the Annual Stockholders Meeting held on 4 October 2013. He is also the Independent Director of Metropolitan Bank & Trust Company and Philippine Life Financial Assurance Corporation. He is a Governor of iACADEMY; Chairman of the Trust Banking Group of Metropolitan Bank and Trust Company, LBP Service Corporation, and Asian Institute of Management – Center for Tourism. He is also a Member of the Investment Committee of Philplans First, Inc. and Advisory Board Member of Radiowealth Finance Company, Inc.

A multi-awarded executive in the private sector (i.e. manufacturing, financial services and international trade), Mr. Lapus has successfully managed and turned around firms and a universal bank in attaining industry leaderships.

With a solid track record as a prominent professional executive in the private sector behind him, Mr. Lapus has the distinction of having served in the cabinets of three (3) Philippine Presidents namely: President Gloria Macapagal-Arroyo, President Fidel Ramos and President Corazon Aquino in the following capacities: Secretary, Department of Trade and Industry (2010); Secretary, Department of Education (2006-2010); President and CEO, The Land Bank of the Philippines (1992-1998); Undersecretary, Department of Agrarian Reform (1987-89)

He was elected member of the Philippine Congress for three (3) consecutive terms in 1998-2006. During his stint in Congress, Mr. Lapus was Chairman of the House Committees on Ways and Means, Trade and Industry, Suffrage and Electoral Reforms and Vice-Chairman of Appropriations. Mr. Lapus was the former President of Southeast Asia Ministers of Education Organization; Executive Board Member of UNESCO-Paris; Chairman of Board of Investments, Philippine Export Zone Authority, Cabinet Committee on Tariff and Related Matters, Export Development Council, MSMED Council (Micro, Small and Medium Enterprises), and National Development Corporation; Governor of Management Association of the Philippines and Bankers Association of the Philippines; and Member of YPO, Finex, PICPA, PCCI, GBAP, and Rotary Club of Manila.

Mr. Lapus earned his Doctor of Public Administration (honoris causa) from Polytechnic University of the Philippines; Master in Business Management from Asian Institute of Management; Investment Appraisal and Management from Harvard University, USA; Management of Transfer of Technology from INSEAD, France; and Project Management from BITS, Sweden.

Monico V. Jacob, 71, Filipino, Director

Mr. Jacob is the Vice Chairman and CEO of STI ESG and a member of the Executive Committee, Compensation Committee, and Nomination Committee.

Mr. Jacob has also been the President and CEO of STI Holdings since 17 March 2010. He is likewise a member of the Executive, Compensation and Compliance Committees of STI Holdings and President of STI West Negros University. He is also the President of Capital Managers and Advisors, Inc., Maestro Holdings, Inc. (formerly STI Investments, Inc.) and Insurance Builders, Inc.

Mr. Jacob is the Chairman of Philplans First, Inc., Philippine Life Financial Assurance Corporation, Total Consolidated Asset Management, Inc., Global Resource for Outsourced Workers, Inc., Republic Surety & Insurance Co., Inc., and Classic Finance, Inc.

Mr. Jacob is also a Director in Asian Terminals, Inc., Ateneo De Naga University, Delos Santos – STI College, De Los Santos Medical Center, Information and Communications Technology (iACADEMY), Inc., Jollibee Foods, Inc., PhilhealthCare, Inc., Phoenix Petroleum Philippines, Inc., Lopez Holdings, Inc., Rockwell Land Corporation, and the 2Go Group.

Prior to his present positions, Mr. Jacob was the Chairman and CEO of Petron Corporation, and the Philippine National Oil Company (PNOC) and all of its subsidiaries. He also served as the General Manager of the National Housing Authority (NHA), and Chief Executive Officer of the Home

Development Mutual Fund. He was also an Associate Commissioner for the Securities and Exchange Commission in 1986.

Prior to government, he was a Partner of the law firm Jacob Acaban Corvera Valdez and Del Castillo and was an active trial lawyer. Today, he is a partner in the law firm of Jacob & Jacob. His areas of specialization are energy, corporate law, corporate recovery and rehabilitation work, including receivership and restructuring advisory for companies.

Mr. Jacob is a member of the Management Association of the Philippines (MAP) of which he was President for 1998. He is also a member of the Integrated Bar of the Philippines.

Mr. Jacob finished his Bachelor of Arts degree with a Major in Liberal Arts from the Ateneo de Naga University in 1966 and his Bachelor of Laws degree from the Ateneo de Manila University in 1971.

Eusebio H. Tanco, 66, Filipino, Director

Mr. Tanco is the Chairman of the Executive Committee, and Compensation Committee, and is a Director of STI ESG. He is also a member of the Audit Committee, and the Nomination Committee.

Mr. Tanco has been Chairman of STI Holdings since 17 March 2010. He is also the Chairman of the Executive, Nominations and Compensation Committees of STI Holdings. Mr. Tanco is Chairman of the Board and President of Prudent Resources, Inc. and the Chairman of Mactan Electric Company, Venture Securities Inc., International Hardwood & Veneer Corp, Cement Center Inc., First Optima Realty Corp, GROW Vite, Inc., Marbay Homes Inc., Delos Santos-STI College, STI West Negros University, Maestro Holdings, Inc. (formerly STI Investments, Inc.) and Capital Managers and Advisors, Inc. He is Vice-Chairman and President of Asian Terminals, Inc.

Mr. Tanco is President of Philippines First Insurance Co. Inc., Biolim Holdings and Management Corp (formerly Rescom Developers Inc.), Insurance Builders, Inc., Bloom with Looms Logistics, Inc. (formerly STMI Logistics, Inc.), Total Consolidated Asset Management, Inc., Eujo Phils, Inc., Global Resource for Outsourced Workers, Inc., Prime Power Holdings Corporation and CEO of Classic Finance Inc.

Mr. Tanco is also a director in Philippine Life Financial Assurance Corp., Manila Bay Spinning Mills, Inc., United Coconut Chemicals, Inc., MB Paseo, Philippine Health Educators, Inc., i-ACADEMY, PhilhealthCare, Inc., Philippine Racing Club, Inc. and Leisure and Resorts World Corporation.

Mr. Tanco is a director of the Philippine Stock Exchange. He is also Chairman of the Philippine-Thailand Business Council and the Philippines-UAE Business Council. He likewise sits as a member of the Board of Trustees of Philippines, Inc. and member of the Philippine Chamber of Commerce and Industry.

Mr. Tanco earned his Master of Science in Economics degree from the London School of Economics and Political Science and his Bachelor of Science degree in Economics from the Ateneo de Manila University. He was also awarded a Doctorate of Humanities degree, honoris causa, from the Palawan State University.

Peter K. Fernandez, 52, Filipino, President and Chief Operating Officer

Mr. Fernandez is the President and Chief Operating Officer of STI ESG. Prior to this appointment, Mr. Fernandez served as Executive Vice President and Chief Operating Officer of STI ESG from 2004-2016. Prior to joining STI ESG, Mr. Fernandez was a member of the Asian Institute of Management faculty for four and a half years. Before joining AIM, Mr. Fernandez was a faculty member of the College of Computer Studies at the De La Salle University.

Mr. Fernandez earned a Bachelor of Science degree in Electronics and Communications Engineering and a Master of Business Administration degree from the De La Salle University.

Raul B. De Mesa, 74, Filipino, Director

Mr. De Mesa is a Director of STI ESG and a member of the Compensation, and Audit Committee.

Mr. Raul B. De Mesa served as the President and Chief Executive Officer of Bank of Commerce. Mr. De Mesa is a distinguished banker with substantial years of experience in the financial industry. Prior to Bank of Commerce, he has 37 years of banking experience, having occupied various positions in several banking institutions such as Security Bank, Manila Banking Corporation, Far East Bank & Trust Company. Mr. De Mesa is a Director at CAP Life Insurance Corporation. He served as a Director of Bank of Commerce. Mr. De Mesa served as an Independent Director of Liberty Telecoms Holdings Inc. since 2004.

Mr. De Mesa is presently a member of the Board of Trustees of the Home Development Mutual Fund. He is also a Director of Commerce and Trade Insurance Borekarage, Inc., Bancommerce Investment Corporation, Banco Nacional De Guinea Equatorial and Delos Santos – STI College, among others.

Joseph Augustin L. Tanco, 35, Filipino

Mr. Tanco is a Director and member of the Nomination Committee of STI ESG.

Mr. Tanco is also a Director of STI Holdings since 27 October 2010. He is likewise the Vice President for Investor Relations and a member of the Compensation Committee of STI Holdings.

Mr. Tanco is currently the President and Chief Executive Officer of Philippine Life Financial Assurance Corporation and Comm&Sense, Inc. He founded Comm&Sense, Inc., an integrated marketing and communications agency offering comprehensive services in the areas of creative design, event conceptualization and management, public relations and promotions, in 2005.

Mr. Tanco serves as the Chairman of the Board of PhilhealthCare, Inc., Director and Treasurer of PhilPlans First, Inc., Director and Vice President of Eujo Phils. Inc., Director of Maestro Holdings, Inc. (formerly STI Investments, Inc.), iACADEMY, STI West Negros University, Capital Managers and Advisors, Inc., Prime Power Holdings Corporation, Global Resource for Outsourced Workers (GROW), Venture Securities, Inc., Bloom with Looms Logistics, Inc. (formerly Southern Textiles Mills, Inc.) and Biolim Holdings & Management Corporation (formerly Rescom Developers, Inc.).

Furthermore, Mr. Tanco is an active member of the Junior Chamber International Philippines (JCI) where he was Chapter President of JCI Ortigas in 2012. He was Area Director for Individual for Metro Area 2 and National Chairman for Nothing but Nets in 2013 and National Chairman for The Outstanding Young Men (TOYM) in 2015. He also became a mentor for BS Entrepreneurship at the University of Asia and the Pacific in 2012.

Mr. Tanco is a graduate of the University of Asia and the Pacific with a Bachelor of Science degree in Entrepreneurial Management. He obtained his Master in Business Administration from the Ateneo Graduate School of Business.

Maria Vanessa Rose L. Tanco, 38, Filipino, Director

Ms. Tanco is a Director of STI ESG.

Ms. Tanco is also a Director and member of the Nomination Committee of STI Holdings, since 27 October 2010. She also holds directorships at STI West Negros University, PhilPlans First, Inc., and PhilhealthCare, Inc. Currently, she is the President and CEO of Information and Communications Technology Academy, Inc. or popularly known as iACADEMY.

Rainerio M. Borja, 53, Filipino, Director

Mr. Borja serves as a Director of STI ESG and a member of the Election Committee.

He is also a Director of STI Holdings since 19 December 2012. He is likewise a member of the Executive and Nomination Committees of STI Holdings. Mr. Borja is also a Director of PhilPlans, Inc. and Total Consolidated Asset Management Inc. He is also Chairman of the Board of Techzone Inc. and 88Gren Inc.

Mr. Borja is the President of Expert Global Solutions for Philippines and Australia. Prior to joining EGS in 2012, he spent 12 years as President of Aegis PeopleSupport Philippines, a startup company that he helped grow to more than 13,000 employees. In 2004, the company achieved a major milestone by doing an Initial Public Offering (IPO) in the United States, and being listed in NASDAQ as the only Business Process Outsourcing (BPO) Company with its entire operations handled in the Philippines. Mr. Borja, as the prime mover in the industry, also established the expansion of BPO to Philippine provinces, as well as to other regions, such as San Jose, Costa Rica.

Mr. Borja is credited by many in the Philippines as the man behind the success of call center and BPO industry in the country. He is one of the founders and former chairman of the Information Technology and Business Process Association of the Philippines (IBPAP), formerly the Business Processing Association of the Philippines (BPA/P). He continues to support the industry by taking on leadership roles and sitting on the Board of Directors for both IBPAP and the Contact Center Association of the Philippines (CCAP). His opinions and contributions are highly valued by government and industry officials in the formulation of legislations and policies that govern the country's Information and Communications Technology (ICT) and BPO industry. Being one of the country's BPO industry ambassadors who supported the industry's phenomenal growth to now being one of the country's major economic contributors, Mr. Borja was the first recipient of the Individual ICT Contributor Award in the Philippines in 2007.

Mr. Borja obtained his Bachelor of Science degree at the De La Salle University and Masters of Science in Economics units from the De La Salle Graduate School of Business and Economics.

Ernest Lawrence Cu, 54, Filipino, Independent Director

Mr. Cu is an Independent Director of STI ESG.

Ernest has been an Independent Director of STI Holdings since 19 December 2012. He is likewise a member of the Audit and Nomination Committees of STI Holdings.

Currently, Ernest is the President and Chief Executive Officer of Globe Telecom. He is a Director of Asiacom Philippines, Prople BPO, Inc., Games Services Group, and Concetti Global Inc. He is also a Trustee of Ayala Foundation, Inc.

Ernest has a Bachelor of Science degree in Industrial Management Engineering from De La Salle University in Manila, and an M.B.A. from the J.L. Kellogg Graduate School of Management, Northwestern University.

Joaquin E. Quintos IV, 56, Filipino, Independent Director

Joaquin E. Quintos IV was first elected as Independent Director on 20 October 2011.

He is currently Senior Vice President of First Philippine Holdings, a publicly listed management and investment company engaged in power generation, manufacturing, construction, and property development businesses. Jajo joined FPH in July 2015.

Prior to joining First Philippine Holdings, Jajo was President and CEO of Prople Limited, a privately held, global business process services company specializing in Finance and Accounting, Human Resources (HR), and Information Technology (IT). Jajo joined Prople as a shareholder and member of the board in September 2009 after retiring from a successful 27 year career at IBM Philippines. Jajo was also President and CEO of Prople BPO Inc, a wholly owned Philippine subsidiary of Prople Limited and Chairman of Kellogg and Andelson Global Management Company, a wholly owned U.S. subsidiary of Prople Limited.

Prior to joining Prople, Jajo was the Chairman and Country General Manager of IBM Philippines Inc. Jajo also headed all of IBM's wholly owned subsidiaries in the Philippines. He was President and CEO of IBM Daksh Philippines Inc., Chairman of IBM Solutions Delivery Inc., and Chairman of IBM Business Services Inc. IBM's BPO operating subsidiaries, IBM Daksh and IBM Business Services, were set-up during Jajo's tenure.

Jajo started his career at IBM in 1982 as a systems engineer. He quickly rose through the ranks. He is credited for having pioneered the software and services business of IBM Philippines in 1991. From 1996 to 1999, he was assigned to IBM's ASEAN/South Asia regional headquarters in Singapore, where he led IBM's mainframe and software business, respectively. In 2000, Jajo was assigned to IBM's Corporate Headquarters in New York running IBM's global mid-market software business. He returned to the Philippines in 2002 to occupy the top IBM post in the country. Under his leadership, IBM rapidly expanded their operations in the Philippines. During his tenure, global delivery centers for business process outsourcing and IT services were created serving clients' and IBM's needs worldwide. From a pure domestic operation in 2002 with about 400 employees, Jajo added global operations to the Philippine portfolio in 2004. At the same time, he led the growth of IBM's domestic business in the Philippines. By the time he retired in 2009, IBM had quadrupled its business and grown to over 10,000 employees in the Philippines. At Prople, Jajo transformed the business from a single revenue stream and a small client base start-up to a diverse and profitable revenue stream with a 6,000 global client base sustainable business. Among the initiatives he implemented at Prople were the creation of three services lines with strong recurring revenue streams, introduction of process and technology to drive efficiency, creation of a stable domestic business in the Philippines, and the acquisition of the non-attest business of Kellogg and Andelson, a 75 year old U.S. tax preparation and accounting firm based in Los Angeles, California.

Jajo is currently a member of the board of Philippine American Life and General Insurance Company, iPeople, Skycable, STI Education Services, Vicsal Investment, AB Capital Investment, and Energy Development Corporation in the Philippines. Jajo is also currently the Vice Chairman of the Credit Information Corporation, the national credit registry of the Philippines. He is currently a board trustee of the Knowledge Channel Foundation and was formerly the Chairman of Operation Smile Philippines and Foundation for Adolescent Development. He was formerly the Chairman of the ICT Panel of the Joint Congressional Committee on Science and Technology of the Republic of the Philippines. Jajo was previously the Chairman of De La Salle University Manila and the Co-Chairman of the De La Salle Philippines board which oversees the unified administration of the network of 17 La Sallian institutions in the Philippines.

Jajo is a graduate of the University of the Philippines with a Bachelor of Science degree in Industrial Engineering, cum laude.

He participated and completed the New York Marathon in 2007.

Martin K. Tanco, 51, Filipino, Director

Mr. Tanco is a Director of STI ESG.

He is also a Director of STI Holdings since 19 December 2012 and is likewise a member of the Executive and Audit Committees of STI Holdings.

Mr. Tanco is the Director for Investment of Philplans First, Inc. He is the President of the Philfirst Condominium Association. Mr. Tanco is also a director of Manila Bay Thread Corporation (Formerly: Coats Manila Bay).

Mr. Tanco earned his Bachelor of Science Degree in Electrical Engineering from the University of Southern California. He obtained his Master of Science degree in Electrical Engineering and Master in Business Administration from the University of Southern California.

Period of Directorship

Name	Period Served
Jesli A. Lapus	2013 to present
Monico V. Jacob	2002 to present
Eusebio H. Tanco	2001 to present
Peter K. Fernandez	2016 to present
Raul B. De Mesa	2004 to present
Joseph Augustin L. Tanco	2005 to present
Maria Vanessa Rose L. Tanco	2011 to present
Rainero M. Borja	2004 to present
Ernest Lawrence Cu	2005 to present
Joaquin E. Quintos	2008 to present
Martin K. Tanco	2014 to present

The Directors of the Company are elected at the annual stockholders' meeting to hold office until the next succeeding annual meeting and until their respective successors have been appointed or elected and qualified. The Directors possess all the qualifications and none of the disqualifications provided for in the SRC and its Implementing Rules and Regulations.

The members of the Company's Nomination Committee are the following:

Chairman	:	Jesli A. Lapus
Members	:	Joseph Augustin L. Tanco Monico V. Jacob Eusebio H. Tanco

Compensation of Directors and Executive Officers

	Year Ended March 31	Salaries and Bonus	Other Compensation
Chief Executive Officer and the Top Four Highly Compensated Officers*	2014	PhP 17,911,063	None
	2015	PhP 19,915,075	None
	2016	PhP 23,853,754	None
	2017**	PhP 26,955,603	None
Board of Directors	2014	PhP1,025,294.00	None
	2015	PhP1,071,472.00	None
	2016	PhP1,775,882.00	None

**The CEO is Monico V. Jacob, while the top four highly compensated officers are: Peter K. Fernandez, President and COO, Engelbert L. De Guzman, VP for Communications and MIS, Wilfred S. Racadio, VP for Legal Affairs, and Juan Luis Fausto B. Tubongbanua, VP for Corporate and Information Services.*

***projected*

Certain Relationships and Related Transactions

Contracts may be entered into by the Company with any of its directors, executive officers or stockholders or with companies associated with the majority stockholders of the Company ("Related Parties"), provided the terms thereof are at least favourable to the Company as would be obtainable in arm's-length dealings with unrelated third persons. This policy is to prevent conflicts of interest between the Company and Related Parties, which may result in action taken by the Company that does not fully reflect the interests of all stockholders of the Company.

The Company, in the normal course of business, enters into transactions with related companies primarily consisting of lease of properties and advances for real estate transactions, working capital requirements and other business-related purposes. In general, prices for related party transactions relating to sales and rental revenue were agreed on based on current market rates, while for management fees, the fee amount is as approved by the Board of Directors of the Company. Rental for leased properties are within market rates while there are no interest on advances. Related parties are able to settle their obligations in connection with transactions with the Company and the Company does not foresee risks or contingencies arising from these 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:

1. Enterprises or individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Company;
2. Associates; and
3. 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 Company and close members of the family of any such enterprise or individual.

The following are the Company's transactions with its related parties as at 30 September 2016,:

Related Party	Amount of Transactions During the Six Months Ended September 30		Outstanding Receivable (Payable)		Terms	Conditions
	2016	2015	September 30, 2016	March 31, 2016		
Associates						
STI Accent						
Advances for various expenses and other charges	₱1,045,467	₱--	₱36,678,770	₱35,633,303	30 days upon receipt of billings;	Unsecured; impaired
GROW						
Rental income and other charges	--	73,095	7,179,094	7,239,094	30 days upon receipt of billings;	Unsecured; no impairment
Advances for various expenses	--	--	143,571	143,571	30 days upon receipt of billings;	Unsecured; no impairment
STI Holdings						
Advisory fees	8,064,000	8,064,000	--	--	30 days upon receipt of billings;	Unsecured
Dividends payable	1,064,218,063	246,653,915	(395,280,995)	--	30 days upon receipt of billings;	Unsecured
Advances for various expenses	312,262,512	6,991,638	--	(41,166)	30 days upon receipt of billings;	Unsecured
Maestro Holdings						
Subscription of common stock	--	--	--	(17,495,800)	Due and demandable;	Unsecured
STI Alabang						
Educational services and sale of educational materials and supplies	9,065,442	6,934,081	--	--	30 days upon receipt of billings;	Unsecured
STI Marikina						
Educational services and sale of educational materials and supplies	7,055,263	5,477,131	--	--	30 days upon receipt of billings;	Unsecured
Joint Venture						
						noninterest-bearing

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

	September 30, 2016	March 31, 2016
Advances to officers and employees	P22,990,859	P20,785,180
Current portion of advances to associates, joint ventures and other related parties	143,571	252,767
Rent and other related receivables	12,501,277	13,400,670
Advances to associates and joint ventures	36,678,770	35,633,303
Accounts payable	(72,794)	(426,052)
Dividends payable	(395,280,995)	
Subscriptions payable	-	(17,495,800)
	<u>(P323,039,312)</u>	<u>P52,150,068</u>

Description of Debt

The Company was granted credit facilities by various banks.

Corporate Notes Facility with China Banking Corporation

On March 20, 2014, STI ESG entered into a Corporate Notes Facility Agreement (the "Credit Facility Agreement") with China Banking Corporation (the "China Bank") granting STI ESG a credit facility amounting to PHP3 billion with a term of either 5 or 7 years. The facility is available in two tranches of PHP 1.5 billion 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 PHP1,200 million loans with interest ranging from 4.34% to 4.75%. The Company has made payments totaling to PHP80.4 million, PHP216 million and PHP108 million as at December 31, 2016, March 31, 2016 and 2015, respectively. These loans are unsecured.

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 PHP1.5 billion.

The Credit Facility 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. The required financial ratios as at December 31, 2016 and March 31, 2016 are 1.0x for Debt to Equity ratio and 1.1x for Debt Service Cover ratio for STI ESG. As at December 31, 2016 and March 31, 2016, STI ESG have complied with the above covenants.

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

- a) the option to select a new interest rate and in relation to this, amendments to the definition of interest rate and interest rate repricing date, whereby, STI ESG was given a one-time option of changing the interest rate by selecting either of (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, provided that the interest rate shall be repriced and determined on the relevant interest rate repricing date in accordance with the foregoing calculation, and thereafter, such repriced interest rate shall be the applicable interest rate for the immediately succeeding 2 interest periods, 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, provided that the interest rate shall be repriced and determined on the relevant interest rate repricing date in accordance with the foregoing calculation, and thereafter, such repriced interest rate shall be the applicable interest rate for the immediately succeeding 3-month period ending on the relevant interest repricing date;
- b) amendments on the required financial ratios for STI ESG, 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 Cover Ratio of a minimum of 1.05x.

On January 31, 2017, STI ESG 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.

Short Term Loans

STI ESG availed of loans from Bank of the Philippine Islands, Security Bank Corporation and China Bank aggregating to ₱1,290.0 million of which ₱ 510.0 million have been settled as at December 31, 2016. Interest rates of STI ESG loans ranged from 3.25% to 3.75%. The proceeds from these loans were used for working capital purposes.

Management's Discussion and Analysis of Results of Operations and Financial Condition

Overview

STI ESG was established 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 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 11 of the franchised schools constructed/renovated their own buildings and upgraded their facilities.

With the completion of the new facilities for STI Las Piñas in July 2016, STI ESG increased its total student capacity to 119,191 students, with 73,413 pertaining to owned schools and 45,778 for franchised schools.

The K to 12 Program

The education landscape in the Philippines has changed with the signing on May 15, 2013 of 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 STI ESG, this will mean two (2) academic years from 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, DepEd released Order No. 41 or 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.

STI ESG 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 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 for them 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 can lead them in making an important decision for their future.

STI ESG's intensive marketing efforts during the early registration period and its sustained marketing activities bore fruit with the total SHS enrollment reaching 37,571 students at the start of SY 2016-2017.

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

Information and Communications Technology (“ICT”) Strand

Specializations:

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

Home Economics Strand

Specializations:

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

Industrial Arts Strand

Specialization:

- Consumer Electronics Servicing

On August 10, 2015, DepEd granted Information and Communications Technology Academy, Inc. (iACADEMY's) permit to offer Senior High School. iACADEMY offers three tracks, as follows:

- ***Academic Track***
 - Accountancy, Business and Management
 - Humanities and Social Science
 - General Academic Strand
- ***Technical-Vocational Track***

ICT Strand

Specializations:

- Computer Programming
- Animation

Home Economics Strand

Specialization:

- Fashion Design

▪ **Arts and Design Track**

In September 2016, STI Holdings acquired 100% interest in iACADEMY .

STUDENT POPULATION

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

	SY 2016-2017	SY 2015-2016	Increase (Decrease)	
			Enrollees	Percentage
STI Network				
Owned schools	52,687	42,878	9,809	23%
Franchised schools	43,592	34,767	8,825	25%
Total Enrollees	96,279	77,645	18,634	24%

Grouping the students in terms of government regulatory agencies supervising the programs, wherein CHED pertains to students enrolled in tertiary and post-graduate programs, TESDA students are those enrolled in Technical-Vocational Courses while DepEd pertains to primary and secondary education including SHS, following are the numbers:

	SY 2016-17	Percentage (%)	SY 2015-16	Percentage (%)
CHED	53,016	55%	66,445	86%
TESDA	5,692	6%	9,623	12%
DepEd*	37,571	39%	1,577	2%
	96,279	100%	77,645	100%

* figures represent the number of enrolled SHS students

Financial Review

This discussion summarizes the significant factors affecting the operating results and financial condition of STI Education Services, Inc. and its subsidiaries (hereafter collectively referred to as the "Group") for the six months ended September 30, 2016 and 2015. The following discussion should be read in conjunction with the attached interim audited consolidated financial statements of STI ESG as at September 30, 2016, audited consolidated financial statements as at March 31, 2016, 2015 and 2014 and for the six months ended September 30, 2016 and 2015. All necessary adjustments have been made to present fairly the financial position, results of operations, and cash flows of STI ESG as at and for the six months period ended September 30, 2016 and 2015 and as at and for the period ended March 31, 2016, 2015 and 2014.

Results of Operations

Three months ended September 30, 2016 vs. three months ended September 30, 2015

For the three months ended September 30, 2016, STI ESG generated gross revenues of PhP806 million, up by 27% or PhP170.8 million from same period last year of PhP635.2 million. Gross profit likewise increased by PhP127.5 million or 29% year-on-year.

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 of associates and joint ventures, interest expense, interest income, and effect of derecognition of a subsidiary increased by PhP158.8 million to PhP416.5 million from last year's PhP257.7 million. EBITDA margin likewise improved from 41% last year to 52% this year.

Net income earned for the period amounted to P530.9 million as against same period last year's net income of PhP304.6 million. This is largely due to the 24% increase in enrollment, with the corresponding increase in gross revenues mostly from tuition and other school fees. Equity in net earnings of associates and joint ventures also increased by 99% compared to same period last year.

Six months ended September 30, 2016 vs. six months ended September 30, 2015

For the six months ended September 30, 2016, STI ESG generated gross revenues of PhP1,185.0 million, for a 17% improvement or PhP169.8 million from same period last year of PhP1,015.2 million. Gross profit likewise increased by 18% year-on-year.

EBITDA for the period was PhP543.8 million, an improvement of PhP164.2 million or 43% as compared to same period last year. EBITDA margin likewise improved from 37% last year to 46% this year.

Consolidated net income earned for the 6-month period stood at PhP542.7 million as against the net income of PhP341.1 million from the same period last year for a 59% improvement.

Financial Condition

STI ESG's total assets as at September 30, 2016 amounted to PhP9,155.0 million, 8% or PhP644.8 million higher than the balance as at March 31, 2016. This was largely due to the increase in receivables, mostly pertaining to receivables for tuition and other school fees and increase in STI ESG's investments in associates.

Cash and cash equivalents decreased by 45% or PhP243.2 million. Payments were made to contractors and other suppliers for the full settlement of payables related to completed projects. Payments were also made for scheduled loan amortizations as well as for the dividend declaration.

Total receivables amounted to PhP805.5 million, up by PhP550.7 million from PhP254.8 million as at March 31, 2016, since the September 30, 2016 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 PhP8,750 to PhP22,500 per year. Under the Voucher Program, DepEd pays directly the schools where these students enrolled.

Inventories increased by a hefty 161% or PhP58.4 million as the schools raised their inventory level of uniforms and textbooks.

Deferred tax assets rose by 13% or PhP3.0 million due to taxes paid on tuition and other school fees and rental income collected in advance. Following statutory regulations, tuition fees and rental income are taxed at the time of collection. Unearned revenues will be recognized as income over the remaining period of the related school term and lease period.

Total current liabilities increased by PhP1,129.2 million to PhP1,685.4 million as at September 30, 2016 from PhP556.2 million as at March 31, 2016, mainly due to the increase of PhP395.0 million in

short term loans availed for working capital purposes and the PhP459.1 million increase in unearned tuition and other school fees arising from the increased enrollment in the current school term.

Total noncurrent liabilities increased by PhP57.6 million. Interest-bearing loans and borrowings-net of current portion decreased by PhP20.4 million due to the semi-annual payments made in July 2016. On the other hand, other noncurrent liabilities composed of advance rent and security deposits on condominium units and STI Novaliches' liability to STI Diamond for the acquisition of the latter's net assets caused an increase of PhP78.5 million.

Total equity attributable to equity holders of the Parent Company decreased by 8% or P554.0 million.

Top 5 Key Performance Indicators (the "KPI")

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

KPI	Description	Six Months ended 30 September 2016	Six Months ended 30 September 2015	Remarks
EBITDA margin	Net income excluding provision for income tax, depreciation and amortization, equity in net earnings of associates and joint ventures, interest expense, interest income and effect of derecognition of a subsidiary (EBITDA) divided by total revenues	46%	37%	EBITDA margin improved in 2016 as compared to same period in 2015 due to the recognition of depreciation and amortization expenses on completed capital expansion projects and the increase in revenues from tuition and other school fees and sales of educational materials.
Gross profit margin	Gross profit divided by total revenues	69%	68%	
Return on equity	Net income attributable to equity holders of the Parent company (annualized) divided by average equity attributable to equity holders of the Parent company	16%	10%	Return on equity increased in 2016 largely due to the substantial increase in revenues from tuition and other school fees as well as increased share in the net earnings of associates

Material Changes in Balance Sheet Accounts

Cash and cash equivalents decreased by 45% or P243.2 million from P542.2 million to P298.9 million as at March 31, 2016 and September 30, 2016, respectively. Payments were made to contractors and other suppliers for the full settlement of payables related to completed projects. Payments were also made for scheduled loan amortizations as well as for the dividend declaration.

Current receivables increased by P550.7 million or 216%. Receivables for tuition and other school fees increased by P205.6 million, largely pertaining to receivables from students, while P344.5 million pertain receivables from DepEd for the SHS qualified voucher recipients. The receivables from students are expected to be collected over the remaining months of the related school term. The vouchers receivable from DepEd are expected to be received in two (2) tranches, that is, from September to November 2016 and January to February 2017.

Inventories increased by 161% or P58.4 million. This is mainly attributed to the build-up of the inventory of uniforms and textbooks in preparation for expected sales for the second semester of SY 2016-2017.

Prepaid expenses and other current assets increased by 19% or P16.8 million. Prepaid rent as at September 30, 2016 includes advance payments made for the lease of land for STI Calamba. Prepaid license is related to the eLearning Management System (“eLMS”) and Microsoft license amounting to P5.6 million, which will be amortized over the school year. Insurance coverage for fire and building, health coverage of employees and life and accident insurance of the students prepaid by STI ESG as at September 30, 2016 increased by P6.0 million. Most of these cover the period April 2016 to March 2017, in line with the school calendar and are amortized over the remaining months of the respective contracts.

The initial cost of property and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the property, plant and equipment to its working condition and location for its intended use. Property and equipment, net of accumulated depreciation, slightly increased by 1% or P54.9 million from the March 31, 2016 balance of P4,645.5 million to P4,700.4 million as at September 30, 2016.

Investment properties slightly decreased by 2% solely due to depreciation.

Investments in and advances to associates and joint ventures increased by 13% mainly due to STI ESG's share in the fair market value gains recognized by an associate on its investments in service assets. Inter-company receivables are generally settled in cash.

Deferred tax assets rose by 13% or P3 million due to taxes paid on tuition and other school fees and rental income collected in advance. Following statutory regulations, tuition fees and rental income are taxed at the time of collection.

Goodwill, intangible and other noncurrent assets slightly decreased by 9%. Advance payments amounting to P47.3 million for the construction of STI Las Piñas school building as well as for the purchase of furniture and equipment for the new building were reclassified to Property and Equipment upon the completion of construction of said campus.

Accounts payable and other current liabilities increased by P339.7 million or 88% largely due to dividends declared by STI ESG, which is payable in November 2016 to stockholders of record as at October 14, 2016. Meantime, full payments were made to contractors with the completion of the major construction projects as well as to the BIR for taxes due. Inter-company payables are generally settled in cash.

As at September 30, 2016, STI ESG registered an outstanding short term loan balance of P395 million. The short term loans were availed for working capital purposes.

Payments made for long term interest-bearing loans reduced both current and non-current portions by P60 million and P20.4 million, respectively.

Current and noncurrent portions of obligations under finance lease declined by 14% and 19%, respectively, due to payments made during the period.

Unearned tuition and other school fees increased substantially by P459.1 million from P53.2 million as at March 31, 2016 to P512.3 million as at September 30, 2016. The unearned revenue will be recognized as income over the remaining months of the school term.

Income tax payable declined by 36% to P6.7 million as at September 30, 2016 from P10.5 million last March 31, 2016 largely due to payments made by the Parent Company in July 2016.

Pension liabilities slightly increased by 2% to P39 million as at September 30, 2016.

Other noncurrent liabilities increased by P78.5 million as advanced rent and rental deposits were received by STI ESG for its condominium units. In addition, accounts payable to STI Diamond recorded

at its present value of P58.9 million, net of current portion, was recognized upon the conveyance of its net assets to STI Novaliches in August 2016.

Unrealized mark-to-market loss on STI ESG's available-for-sale financial assets decreased by 9% or P0.1 million due to the higher market value of the club shares held by the Parent Company.

STI ESG's share in its associates' unrealized mark-to-market gains on their available-for-sale financial assets slightly increased by 3%.

The equity conversion of STI ESG's advances of P49.0 million to STI Taft, which resulted in the dilution of noncontrolling interests, gave rise to an additional P11.3 million to the other equity reserve account. Further, an additional P10.8 million was charged to the other equity reserve account as a result of the sale of iACADEMY to STI Holdings.

STI ESG recognized its share in associates' equity reserve amounting to P0.7 million as at September 30, 2016. This arose when Maestro Holdings Inc., an associate of STI ESG, invested additional capital in Philippine Life Financial Assurance Corporation, thus diluting its non-controlling interest.

Retained earnings increased after recognition of the income earned for the period, net of dividends declared.

Material Change in Income Statement Accounts

Total revenues reached P1,185.0 million during the six-month period ending September 30, 2016, an increase of P169.8 million from the same period last year.

Tuition and other school fees for the period increased by P134.2 million or 16%. While there was a remarkable increase in the total number of students of STI ESG from 77,645 last year to 96,279 students this year or an increase of 24%, the related increase in revenues is lower. The revenue per student from a CHED enrollee is higher than the revenue per student from a DepEd enrollee. With the start of the K to 12 program for Grade 11 students, the number of CHED enrollees of STI ESG declined. However, this was offset by the significant increase in SHS enrollees, which brought an increase in entire student population by 18,634.

Revenues from educational services and royalty fees both decreased by 7% and by 6%, respectively. Revenues from educational services and royalty fees are derived as a percentage of the tuition and other school fees actually collected by the franchised schools from their students. The voucher portion of the tuition fees of SHS qualified voucher recipients will be paid by DepEd in 2 tranches, that is, from September to November 2016 and January to February 2017.

Sale of educational materials and supplies increased by 76% largely due to increased sale of uniforms brought about by the increased number of students.

Cost of educational services slightly increased by 5% from P276.5 million last year to P290.1 million for the same period this year, mainly due to higher expenses directly associated with the increased number of students.

Cost of educational materials and supplies sold increased by 75% concomitant with the increase in sale of uniforms.

General and administrative expenses slightly declined by P9.5 million or 2% from P491.1 million last year to P481.6 million this year. The highest decline was registered by advertising and promotions costs at P38.7 million decrease year-on-year. Most of the marketing activities for SHS were done in the months of October to November 2015 during the DepEd-mandated early registration period for SHS, unlike previously when such marketing costs were incurred April-May for tertiary.

Taxes & licenses rose by P6.4 million or 69%, substantially due to payment of higher business taxes associated with the increase in gross receipts, documentary stamp tax paid for the increase in

capitalization of STI Taft and the lease agreement for STI Calamba and the payment of capital gains tax related to the divestment of iACADEMY from STI ESG to STI Holdings.

Rent expense increased by P8.4 million due to the contract of lease executed by STI ESG for lease of the land for STI Calamba.

Depreciation and amortization increased by P5.6 million due to the completion of the STI Las Piñas campus and commencement of the related depreciation charges.

External services and repairs and maintenance costs increased by P2.8 million and P2.4 million, respectively, due to the continuing maintenance of the school facilities.

Equity in net earnings of associates and joint ventures increased by P116.2 million, mainly due to the fair market value gains recognized by an associate on its investments in service assets.

Rental income increased by P26.6 million or 119% due to the substantial occupancy of the condominium units owned by STI ESG.

Interest expenses on loans slightly decreased by P1.3 million due to principal payments made on loans.

STI Diamond and STI Novaliches executed in August 2016, a deed of assignment transferring the net assets of the former to the latter for a transfer price of P75.65 million payable in five (5) years. As a result, the management contract between STI ESG and STI Diamond was terminated and residual interest has been transferred. With this, STI Diamond was derecognized as a subsidiary of STI ESG for an amount equal to the present value of the related transfer price of P60.8 million.

Interest income slightly decreased by P0.9 million while dividend income slightly increased by P0.2 million.

Provision for income tax increased by P12.7 million as a result of the increase in taxable income from last year's level.

Total comprehensive income rose to P546.6 million from last year's P14.6 million due to the higher market value of equities held by an associate compared with the same period last year.

Financial Risk Disclosure

STI ESG'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 STI ESG might not be able to settle its obligations/commitments as they fall due. To cover its financing requirements, STI ESG uses internally-generated funds and avails of various bank loans. STI ESG regularly evaluates available financial products and monitors market conditions for opportunities to enhance yields at acceptable risk levels. Bank loans are judiciously 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 STI ESG and to the lender bank. The debt service coverage ratio is equivalent to EBITDA for the preceding 12 months, divided by total principal and interest due for the next twelve months.

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

It is STI ESG'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 STI ESG's long term debt has a floating interest rate, STI ESG elected to have the interest rate repriced every year, thus minimizing the exposure to market changes in interest rates.

Capital risk – STI ESG'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. STI ESG monitors capital using the debt-to-equity ratio, which is computed as the total of current and noncurrent liabilities divided by total equity. STI ESG monitors its debt-to-equity ratio to keep it at a level acceptable to the companies in STI ESG and to the lender bank.

As at September 30, 2016 and 2015, the Company is required to maintain the following ratios:

- Debt-to-equity ratio of not more than 1.0x
- Debt service cover ratio of a minimum of 1.1x

On January 19, 2017, the Company and China Bank executed a Second Amendment and Supplemental Agreement to the Corporate Notes Facility Agreement. These amendments require the Company to maintain the following ratios which shall be computed based on the consolidated financial statements:

- 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;
- Debt Service Cover Ratio of a minimum of 1.05x.

As at September 30, 2016 and September 30, 2015, STI ESG's debt service coverage ratio is 2.52:1.00 and 3.38:1.00, respectively while STI ESG's debt-to-equity ratio is 0.32:1.00 and 0.23:1.00, as at September 30, 2016 and September 30, 2015, respectively.

Agreements/Commitments and Contingencies/Other Matters

- a. There are no changes in accounting estimates used in the preparation of interim consolidated reports for the current and prior financial period.
- b. Except as provided in Note 30 of the Notes to the Interim Consolidated Financial Statements attached as Annex "A", STI ESG 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 P25.9 million as at September 30, 2016 and 2015.

Material Events 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 STI ESG.
- b. There are no known trends, demands, commitments, events of uncertainties that will have an impact on STI ESG's liquidity except for the contingencies and commitments enumerated in Note 30 of the Notes to the Interim 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 STI ESG with unconsolidated entities or other persons created during the reporting period.
- d. The various loan agreements entered into by 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 are fully compliant with all the covenants of the loan agreements. See Note 15 of the Notes to the Interim 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 STI ESG, 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 30 of the Notes to the Interim Consolidated Financial Statements attached as Annex "A".
- f. There are no significant elements of income or loss that did not arise from STI ESG'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, 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 STI ESG. All of 76 schools of STI ESG have been granted permits to offer SHS. For SY 2016-2017, the SHS students who enrolled in the schools of STI ESG totaled to 37,571. This number boosted Management's confidence that the schools comprising STI ESG will continuously meet the challenges of the K to 12 program.

- h. STI ESG'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. The core business and revenues of STI ESG, which is 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 STI ESG.

Financial Highlights and Key Performance Indicators

<i>(in millions except margins, financial ratios and earnings per share)</i>	September 30,		Increase (Decrease)	
	2016 (Audited)	March 31, 2016 (Audited)	Amount	%
Condensed Statements of Financial Position				
Total assets	9,155.0	8,510.2	644.8	8
Current assets	1,302.8	920.1	382.7	42
Cash and cash equivalents	298.9	542.2	(243.3)	(45)
Equity attributable to equity holders of the parent company	6,552.2	7,106.2	(554.0)	(8)

Total liabilities	2,595.0	1,408.2	1,186.8	84
Current liabilities	1,685.4	556.2	1,129.2	203
Financial ratios				
Debt to equity ratio ⁽¹⁾	0.32	0.19	0.13	66
Current ratio ⁽²⁾	0.77	1.65	(0.88)	(53)
Asset to equity ratio ⁽³⁾	1.40	1.20	0.20	17

(Audited)

Six months ended September 30		Increase (Decrease)	
2016	2015	Amount	%

Condensed Statements of Income

Revenues	1,185.0	1,015.2	169.8	17
Direct costs ⁽⁴⁾	369.4	321.9	47.5	15
Gross profit	815.6	693.3	122.3	18
Operating expenses	481.6	491.1	(9.5)	(2)
Operating profit	334.0	202.2	131.8	65
Other income (expenses)	239.3	156.9	82.4	53
Income before income tax	573.3	359.1	214.2	60
Net income	542.7	341.1	201.6	59
EBITDA ⁽⁵⁾	543.8	379.6	164.2	43
Net income attributable to equity holders of the parent company	542.1	341.9	200.2	59
Earnings per share ⁽⁶⁾	0.176	0.111	0.065	59

Condensed Statements of Cash Flows

Net cash from operating activities	340.7	350.7	(10.0)	(3)
Net cash used in investing activities	(491.7)	(150.4)	(341.3)	227
Net cash used in financing activities	(92.2)	(387.9)	295.7	(76)

Financial Soundness Indicators

(Audited)

Six months ended September 30		Increase (Decrease)	
2016	2015	Amount	%

Liquidity Ratios

Current ratio ⁽²⁾	0.77	1.03	(0.26)	(25)
Quick ratio ⁽⁹⁾	0.66	0.88	(0.22)	(25)
Cash ratio ⁽¹⁰⁾	0.18	0.47	(0.29)	(62)

Solvency ratios				
Debt to equity ratio ⁽¹⁾	0.32	0.23	0.09	39
Asset to equity ratio ⁽³⁾	1.40	1.26	0.14	11
Debt service coverage ratio ⁽¹¹⁾	2.52	3.38	(0.86)	(25)
Interest coverage ratio ⁽¹²⁾	23.54	14.43	9.11	63
Profitability ratios				
EBITDA margin ⁽¹³⁾	46%	37%	0.09	24
Gross profit margin ⁽⁷⁾	69%	68%	0.01	1
Net profit margin ⁽¹⁴⁾	46%	34%	0.12	35
Return on equity annualized ⁽⁸⁾	16%	10%	6%	60

⁽¹⁾ Debt to equity ratio is measured as total liabilities excluding unearned tuition and other school 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 excluding provision for income tax, depreciation and amortization, equity in net earnings (losses) of associates and joint ventures, interest expense, interest income, and effect of derecognition of a subsidiary.

⁽⁶⁾ Earnings per share is measured as net income 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 (annualized) divided by average equity attributable to equity holders of the parent company.

⁽⁹⁾ Quick ratio is measured as current assets less inventories and prepayments 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 divided by total principal and interest due for the next twelve months

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

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

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

March 31, 2016 vs. 2015

STI ESG's total assets as at March 31, 2016 slightly decreased by P215.4 million to P8,510.2 million from last year's P8,725.6 million. This is mainly due to the effect of the decrease in Investment in associates and joint ventures amounting to P188.6 million and the reductions in Investment Properties and Cash balance of P21.8 million and P87.5 million, respectively.

Cash and cash equivalents decreased by 14% from P629.7 million to P 542.2 million as at March 31, 2016 and March 31, 2015 substantially due to the payment of the Current portion of long term loans amounting to P216.0 million and dividends paid by STI ESG in September 2015 amounting to P250.0 million.

Receivables, which consist mainly of receivables from students, increased by P18.5 million or 8%. This is lower than the 19% increase in revenues from tuition and other school fees indicating improvement in collection from students.

Inventories increased by 15% or P4.8 million as the schools increased their stocks of uniforms in preparation for the enrollment in the coming school year. Procurement of marketing, educational and proware materials were also ramped up primarily for STI ESG's Senior High School program.

Prepaid expenses decreased slightly by 2% mainly due to decreases in prepaid taxes/creditable withholding taxes and input value-added tax (VAT), as the input VAT related to the acquisition of condominium units by STI ESG in exchange for its land was applied to pay for the output VAT on the rent collected during the year for the lease of the said condominium units.

The initial cost of property and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the property, plant and equipment to its working condition and location for its intended use. Property and equipment rose by P14.0 million net of depreciation expense for the period amounting to P289.6 million, as construction of the school building in STI College - Las Piñas reached the half-way mark and construction activities in other campuses were completed. The additional classrooms in STI College -Novaliches, STI College - Caloocan and STI College - Ortigas-Cainta were completed, as well as the gymnasium and warehouse in STI College - Ortigas-Cainta. School equipment and furniture were also acquired for said schools.

Investment properties slightly decreased by 3% mainly due to depreciation.

Investments in and advances to associates and joint ventures decreased by 9% as an associate registered declines in the market value of its investments in equities. Inter-company receivables are generally settled in cash.

Deferred tax assets increased by P7.6 million mainly due to taxes paid on tuition and other school fees and rental income collected in advance. Following statutory regulations, income received or collected in advance shall be taxable in the same year said income was actually received. Unearned revenues include payments received from Senior High School students who registered for the School Year 2016-2017.

Goodwill, intangible and other noncurrent assets rose by P40.1 million or 13% mainly due to the down payment made to a contractor for the STI Las Piñas campus construction project.

Accounts payable and other current liabilities declined by 33% or P191.5 million substantially due to payment to suppliers for completed expansion projects. Inter-company payables are generally settled in cash.

Both current and non-current portions of interest-bearing loans and borrowings declined by P115.2 million and P100.8 million, respectively, as principal payments were made during the period.

Payments were also made for finance lease obligations, bringing down the payable balance by P1.8 million and P3.3 million, respectively, for current and non-current portions.

Unearned tuition and other school fees increased by P32.6 million from P20.6 million as at March 31, 2015 to P53.2 million as at March 31, 2016. The increase is substantially due to the registration fees received from Senior High School students for School Year 2016-2017.

Other noncurrent liabilities of P31.4 million pertain to advance rent and security deposits paid by lessees of STI ESG's condominium units which were acquired in exchange for its land.

Income tax payable rose by P7.5 million reflecting the increase in STI ESG's taxable income.

Pension liabilities increased by 39% to P38.1 million as of March 31, 2016 due to recognition of additional retirement expenses.

Unrealized mark-to-market losses on available-for-sale financial assets increased from P0.5 million as at March 31, 2015 to P0.9 million this year as market values of shares held declined.

STI ESG's share in its associates' unrealized mark-to-market gains on available-for-sale financial assets decreased by 71% as the market values of certain equity shares declined as of the financial statements reporting date.

Cumulative actuarial gain decreased by P6.3 million as adjustments were made on actuarial valuations based on experience.

Retained earnings increased by 14% or P421.0 million as a result of this year's net income earned less dividends declared.

March 31, 2015 vs. 2014

Total assets amounted to P8,725.6 million as at March 31, 2015, up by 21% from the March 31, 2014 balance of P7,231.8 million. This is mainly due to the substantial increase of P1,014.1 million in STI ESG's Property and Equipment, as construction of more buildings in various campuses are completed along with the renovation work conducted. Two parcels of land in Bulacan have also been acquired as STI ESG continued its expansion program.

Cash and cash equivalents of P629.7 million as at March 31, 2015 was 86% higher than the balance as at March 31, 2014 of P338.4 million, as cash is built up in time for the full settlement of payables as construction work is completed.

Receivables decreased from P302.5 million to P236.3 million as at March 31, 2014 and 2015, respectively, or a 22% decrease. This is largely due to the purchase of 5 schools which were formerly franchised schools. As part of the financial statement consolidation, these schools are now considered subsidiaries, hence, intercompany receivables and payables are adjusted accordingly following the rules in consolidation.

Inventories decreased by P6.2 million or 16% due to deliveries of uniforms after the end of the fiscal year.

The initial cost of property and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the property, plant and equipment to its working condition and location for its intended use. Property and equipment, net of accumulated depreciation, increased by P1,014.1 million or 28% mainly due to the completion of school buildings constructed for STI College – Batangas, STI College – Calamba, STI College – Cubao and STI College – Lucena. Additional classrooms were also constructed in STI College – Ortigas-Cainta, STI College – Novaliches and STI College – Caloocan. A gymnasium and warehouse were being constructed in the STI College – Ortigas-Cainta campus. School furniture and equipment were purchased for these campuses. Two parcels of land in San Jose Del Monte City, Bulacan with a total land area of 4,178 square meters were acquired for P154.4 million in April 2014.

Investment properties increased by P589.1 million. This is mainly attributed to 4 floors of condominium units which were acquired by STI ESG in exchange for its land. The condominium units were turned-over for retrofitting as at March 31, 2015. STI ESG recognized the total purchase price of the condominium units amounting to P560.0 million plus directly attributable costs amounting to P8.4 million under the Investment properties account.

Investments in and advances to associates and joint ventures increased by P79.9 million or 4% due to income earned by associates. Inter-company receivables are generally settled in cash.

Deferred tax assets decreased by 41% or P10.6 million primarily due to recognition of the taxable gain resulting from the exchange of land with condominium units for accounting purposes, tax on which was already paid for last year.

Goodwill, intangible and other noncurrent assets decreased by P394.4 million or 55% mainly due to the reclassification of condominium deposits amounting to P396.3 million relative to the condominium units acquired in exchange for STI ESG's land.

Accounts payable and other current liabilities rose by 30% or P132.4 million due to unpaid accounts related to the construction of school buildings and other capital expenditures as of financial statement reporting date. Inter-company payables are generally settled in cash.

Short-term loans of P180.0 million outstanding as of March 31, 2014 and term loans of P108.0 million availed during the year were fully paid as at March 31, 2015.

Unearned tuition and other school fees increased by 114% or P11.0 million following the trend of increased number of students paying in advance.

Long term loans of P1,200.0 million were availed during the year from the China Bank loan facility to augment the funding requirements for construction projects and purchase of school furniture and equipment for the new school facilities. As at March 31, 2015, P216.0 million is due within the next 12 months while P876 million is due after 12 months. Amortization of the principal and interest is every 6 months until July 31, 2021.

Income tax payable decreased by P2.9 million. The income tax on the gain on exchange of STI ESG's land with condominium units, recognized as income this year, was paid last year when the title to the land was transferred following government regulations.

Obligations under finance lease, both current and noncurrent portions, decreased by P0.7 million as a result of payments of monthly amortizations.

Pension liabilities slightly increased by P3.7 million as both faculty salaries and employees' salaries also increased with the increase in number of employees arising from the acquisition of new schools from franchisees.

Unrealized mark-to-market losses on available-for-sale financial assets decreased by 54% as market values of bonds and equities held by an associate improved as at March 31, 2015.

STI ESG's cumulative actuarial gain slightly decreased by P0.5 million mainly due to re-measurement gains recognized.

Meantime, the share in associates' cumulative actuarial loss increased by P 3.6 million as a result of the increase in the number of an associate's employees which are covered by the pension plan as well as the increase in salary rate of its existing employees.

Retained earnings increased by 17% or P463.7 million as a result of this year's net income earned less dividends declared.

Results of Operations

Years ended March 31, 2016 vs. 2015

The continuous increase in number of enrollees in STI ESG owned and franchised schools propelled revenue growth by 17% or P350.0 million, reaching P2,350.5 million in total revenues this year.

The student enrollment of the schools under STI ESG are as follows:

	SY 2015-2016	SY 2014-2015	Increase (Decrease)	
			Enrollees	Percentage
STI Network				
Owned schools	42,878	39,404	3,474	9%
Franchised schools	34,767	33,212	1,555	5%
Total Enrollees	77,645	72,616	5,029	7%

Tuition and other school fees increased by P328.5 million or 19% from last year's P1,726.5 million to P2,055.0 million this year, due to the increase in the student enrollment by 7% or 5,029 enrollees and the average increase of 5% in tuition fees implemented by most schools. In addition, STI ESG's enrollment mix was more favorable in SY 2015-2016 than in SY 2014-2015, as enrollment leaned more towards STI network's CHED four-year programs than the two-year programs. Proportion of CHED:TESDA:DepEd students are 86:12:02 for SY 2015-2016 as against 82:16:02 for SY 2014-2015. The four-year CHED programs charge higher tuition and bring in more revenue per student.

Revenues from educational services and royalty fees increased by P4.9 million and by P0.5 million, respectively, mainly due to the increased collections of the franchised schools. Revenues from educational services are derived as a percentage of the tuition and other school fees collected by the franchised schools from their students.

Sale of educational materials and supplies increased by 21% largely due to increased sale of uniforms.

Other revenues increased by 19% or P3.9 million largely due to the increase in number of students.

Cost of educational services increased by 13% or P71.3 million from P562.6 million last year to P633.9 million this year mostly due to the 21% or P28.2 million increase in depreciation expenses charged to direct cost. Faculty salaries and benefits increased by 12% largely due to the hiring of additional faculty members to handle the increased enrollment and the acquisition of the 5 schools from franchisees in October 2014.

Cost of educational materials and supplies sold increased by P11.6 million concomitant with the increase in sales.

General and administrative expenses rose by P72.4 million or 8% from P912.2 million last year to P984.5 million this year. Of the increase, P24.1 million was due to the increased depreciation charges substantially due to the depreciation expense recognized for the 4 floors of condominium units which were acquired by STI ESG in March 2015 in exchange for its land. The cost of advertising and promotions rose by P27.5 million as STI ESG stepped up its marketing campaign for both Tertiary and Senior High School programs. Professional fees rose by P8.4 million substantially due to legal fees related to the acquisition of various schools. Salaries and employee benefits also increased by P12.3 million due to the addition of employees of the newly acquired schools in October 2014 and the filling up of plantilla positions.

Rental income increased by P32.0 million or almost double last year's level as revenues from lease of condominium units owned by STI ESG were recognized this year.

Dividend income increased by P1.4 million due to dividends received from De Los Santos Medical Center.

Equity in net earnings of associates and joint ventures decreased by 49% or P50.9 million as some associates generated lower profits this year.

STI ESG recorded a net gain of P0.3 million from the disposal of transportation equipment last year.

Interest income continued to decline from P6.8 million in 2014 to P5.0 million in 2015 to P4.7 million in 2016 as bank interest rates on short-term placements remained low and cash balances were used to fully pay construction costs and other related capital expenditures.

On the other hand, interest expenses increased by P28.9 million due to the interest charges on the long term loans from China Bank which are now charged to operations with the completion of the projects funded by the principal amounts of the loans.

Provision for income tax rose by P4.0 million due to corresponding increase in taxable income.

STI ESG's share in associates' unrealized mark-to-market loss on available-for-sale financial assets increased by P292.7 million as an associate recognized fair value losses on its investments in equities.

Fair values of STI ESG's investment in available-for-sale financial assets likewise declined, thus, from unrealized gain of P0.6 million last year, an unrealized loss of P0.3 million this year was shown in the report.

STI ESG's share in associates' remeasurement gain(loss) on pension liability improved by P4.2 million from a loss of P3.6 million last year to a gain of P0.6 million as several associates posted positive actuarial adjustments.

Meanwhile, STI ESG incurred remeasurement loss on pension liability of P7.0 million this year largely due to the decline in market value of the investment in equity securities of the pension plan assets.

Total comprehensive income decreased by P325.7 million due to unfavorable market conditions in the equities market which resulted in substantial unrealized mark-to-market losses this year as compared to last year.

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, interest income, gain on exchange of land and excess of fair value of net assets over acquisition cost from a business combination, increased by P280.1 million to P1,051.6 million from last year's P771.5 million or 36%. EBITDA margin likewise improved from 39% last year to 45% this year.

Years ended March 31, 2015 vs. 2014

Total revenues improved by 9% or P159.9 million due to the increase in the number of students of STI ESG and its subsidiaries. The total number of students of STI ESG increased from 70,107 in SY 2013-2014 to 72,616 students in SY 2014-2015 or an increase of 4%.

The student enrollment of the schools under STI ESG are as follows:

	SY 2014-2015	SY 2013-2014	Increase (Decrease)	
			Enrollees	Percentage
STI Network				
Owned schools	39,404	33,726	5,678	17%
Franchised schools	33,212	36,381	(3,169)	-9%
Total Enrollees	72,616	70,107	2,509	4%

Students reported under owned schools for SY 2014-2015 also include the students from the schools acquired in 2015 from franchisees, namely: STI College – Pagadian, STI Tagum, STI College – Lipa, STI College – Tanauan and STI College – Iloilo.

Tuition and other school fees increased by P160.6 million or 10% from SY 2013-2014 which is, P1,565.9 million to P1,726.5 million this SY 2014-2015, due to the increase in students enrolled and the recognition of the tuition fee income from the newly acquired schools from franchisees. In addition, STI ESG's

enrollment mix was more favorable in 2015 than in 2014, as enrollment leaned more towards STI Network's four-year programs than the two-year programs. Ratio for 2015 was 82% four-year programs and 18% two-year programs, as compared to 76% and 24%, respectively, in 2014. The four-year programs charge higher tuition and bring in more revenue per student.

Revenues from educational services decreased by P2.8 million or 2% to P179.4 million in SY 2014-2015. The acquisition of the 5 schools from the franchisees affected the revenues reported under this account. Revenues from educational services are derived as a percentage of the tuition and other school fees collected by these schools from students. With the acquisition, these fees are now recorded as tuition fee revenues in full. The percentage previously reported as educational services is no longer recognized.

Income from royalty fees declined by P0.8 million likewise due to the acquisition by STI ESG of the 5 schools. Royalty fees are computed at 2% of collected tuition and other school fees.

Other revenues and Sale of educational materials and supplies, both increased slightly by 14% and 1%, respectively.

Cost of educational services increased by 11% from P508.4 million in SY 2013-2014 to P562.6 million in SY 2014-2015 mostly due to the 31% or P32.1 million increase in depreciation expenses charged to direct cost. Construction of school buildings for the following campuses have been completed as of March 31, 2015, namely: STI College – Lucena, STI College – Cubao, STI College – Calamba and STI College – Batangas. Faculty salaries and benefits also increased by 8% or P17.2 million, mainly due to the acquisition of the 5 schools by STI ESG from former franchisees.

Cost of educational materials and supplies sold went up slightly by 2% or P0.8 million due to the change in product mix of items sold.

General and administrative expenses rose by 14% or P109.9 million. Increases in depreciation charges on the new buildings and school furniture and equipment amounted to P43.4 million. Salaries and employee benefits grew by P13.2 million as vacant positions were filled up and because of the 5 newly acquired schools of STI ESG. Utilities costs and cost of outside services increased by P10.1 million and P13.7 million, respectively, largely due to the higher cost of light and water and security services needed for the new school facilities as STI College – Cubao, STI College – Calamba, STI College – Batangas and STI College – Lucena became fully operational. Provision for doubtful accounts rose by P13.7 million or 24% mainly due to the provisions recognized in the books of the newly acquired schools and various other schools, following STI ESG's impairment policy.

Equity in net earnings of associates and joint ventures decreased by P122.8 million due to the lower profits posted by some associates.

Last year, the Company recognized loss on deemed sale transaction amounting to P43.0 million representing the amount deemed loss due to the dilution of STI ESG's ownership in the Hospital from 33% to 10%. Loss on share swap pertains to the exchange of shares of Megaclinic with the shares in the Hospital held by De Los Santos-STI College, set as a condition in the Investment Agreement with MPIC.

Interest income went down by P1.9 million as funds were used to finance construction and banks offered lower interest rates on short-term placements.

Interest expense, on the other hand, increased by P17.2 million largely due to the loan availments made from the short term and long term loan facilities granted by China Bank.

Gain on disposal of property and equipment increased by P0.1 million from P0.2 million last year to P0.3 million this year.

Income from the exchange of land with condominium units amounting to P172.1 million, was only recognized as income this year, for accounting purposes, upon turnover of the condominium units. This amount was declared as gain last year for income tax purposes following statutory rules.

Excess of fair values of assets acquired over acquisition cost from a business combination amounting to P2.1 million in 2015 relates to acquisition by STI ESG of STI Tagum, located in Davao del Norte.

Dividend income earned for the year ended March 31, 2015 amounted to P1.5 million, almost three times last year's dividend income, P1.1 million of which were dividends declared by the De Los Santos Medical Center.

STI ESG's share in associates' unrealized mark-to-market loss on available-for-sale financial assets decreased by 99% as an associate recognized lower fair value losses on its investments in bonds and equities.

Meanwhile, fair values of STI ESG's investment in available-for-sale financial assets improved due to favorable market conditions resulting in a reversal from unrealized loss of P0.4 million last year to unrealized gain of P0.6 million this year.

The share in associates' remeasurement loss and STI ESG's remeasurement loss on pension liability amount to P3.6 million and P.6 million, respectively, as actuarial adjustments were made based on experience.

Total comprehensive income increased by P1,579.5 million. An associate of STI ESG posted a much lower decline in the fair market value of its AFS financial assets last year.

Financial Highlights and Key Performance Indicators

	March 31		Increase (Decrease)	
	2016	2015	Amount	%
<i>(in millions except margins, financial ratios and earnings per share)</i>				
Condensed Statements of Financial Position				
Total assets	8,510.2	8,725.6	(215.4)	(2)
Current assets	920.1	986.5	(66.4)	(7)
Cash and cash equivalents	542.2	629.7	(87.5)	(14)
Equity attributable to equity holders of the parent	7,106.2	6,998.2	108.0	2
Total liabilities	1,408.2	1,738.7	(330.5)	(19)
Current liabilities	556.2	824.5	(268.3)	(33)
Financial ratios				
Debt to equity ratio ⁽¹⁾	0.19	0.25	(0.06)	(24)
Current ratio ⁽²⁾	1.65	1.20	0.45	38
Asset to equity ratio ⁽³⁾	1.20	1.25	(0.05)	(4)
Condensed Statements of Income				
Revenues	2,350.5	2,000.5	350.0	17

Direct costs ⁽⁴⁾	699.2	616.2	83.0	13
Gross profit	1,651.3	1,384.3	267.0	19
Operating profit	666.8	472.1	194.7	41
Other income - net	73.3	294.5	(221.2)	(75)
Income before income tax	740.1	766.6	(26.5)	(3)
Net income	673.3	703.6	(30.3)	(4)
EBITDA ⁽⁵⁾	1,051.6	771.5	280.1	36
Net income attributable to equity holders of the parent company	671.0	713.7	(42.7)	(6)
Earnings per share ⁽⁶⁾	0.22	0.23	(0.01)	(4)
Condensed Statements of Cash Flows				
Net cash from operating activities	812.4	680.6	131.8	19
Net cash used in investing activities	(372.8)	(1,029.6)	656.8	(64)
Net cash provided by (used in) financing Activities	(527.1)	640.4	(1,167.5)	(182)

Financial Soundness Indicators

	Year ended March 31		Increase (Decrease)	
	2016	2015	Amount	%
Liquidity Ratios				
Current ratio ⁽²⁾	1.65	1.20	0.45	38
Quick ratio ⁽⁷⁾	1.43	1.05	0.38	36
Cash ratio ⁽⁸⁾	0.97	0.76	0.21	28
Solvency ratios				
Debt to equity ratio ⁽¹⁾	0.19	0.25	(0.06)	(24)
Asset to equity ratio ⁽³⁾	1.20	1.25	(0.05)	(4)
Interest coverage ratio ⁽⁹⁾	15.67	36.50	(20.83)	(57)
Debt service coverage ratio ⁽¹⁰⁾	7.07	2.94	4.13	140
Profitability ratios				
EBITDA margin ⁽¹¹⁾	45%	39%	6	15
Gross profit margin ⁽¹²⁾	70%	69%	1	1
Operating profit margin ⁽¹³⁾	28%	24%	4	17
Net profit margin ⁽¹⁴⁾	29%	35%	6	17
Return on equity ⁽¹⁵⁾	10%	10%	(0)	(0)
Return on assets ⁽¹⁶⁾	8%	9%	(0.01)	(11)

⁽¹⁾ Debt to equity ratio is measured as total liabilities excluding unearned tuition and other school 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 excluding provision for income tax, interest expense, depreciation and amortization, equity in net earnings (losses) of associates and joint ventures, interest income, gain on exchange of land, and excess of fair values of net assets acquired over acquisition cost.

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

⁽⁷⁾ Quick ratio is measured as current assets less inventories and prepayments divided by current liabilities.

⁽⁸⁾ Cash ratio is measured as cash and cash equivalents divided by current liabilities.

⁽⁹⁾ Interest coverage ratio is measured as Net income excluding provision for income tax and interest expense divided by interest expense.

⁽¹⁰⁾ Debt service coverage ratio is measured as EBITDA divided by total principal and interest to be paid within the next 12 months.

⁽¹¹⁾ EBITDA margin is measured as EBITDA divided by total revenues.

⁽¹²⁾ Gross profit margin is measured as gross profit divided by total revenues.

⁽¹³⁾ Operating profit margin is measured as operating profit divided by total revenues.

⁽¹⁶⁾ Return on assets is measured as net income divided by average total assets.

Financial Risk Disclosure

STI ESG'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 STI ESG might not be able to settle its obligations/commitments as they fall due. To cover its financing requirements, STI ESG uses internally-generated funds and avails of various bank loans. On November 7, 2012 the Parent Company received the proceeds from its follow on offering. The usage of funds is in line with the plan as approved by the SEC and the PSE. STI ESG regularly evaluates available financial products and monitors market conditions for opportunities to enhance yields at acceptable risk levels. The debt service coverage ratio, as a bank requirement, is also monitored on a regular basis. The debt service coverage ratio is equivalent to EBITDA for the preceding 12 months divided by total principal and interest due for the next twelve months. STI ESG monitors its debt service coverage ratio to keep it at a level acceptable to STI ESG and the lender bank.

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

It is STI ESG'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 or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. While STI ESG's long term debt has a floating interest rate, STI ESG elected to have the interest rate repriced every year, thus minimizing the exposure to market changes in interest rates.

Capital Risk- STI ESG's objectives when managing capital are to provide returns for stockholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. STI ESG monitors capital using the debt-to-equity ratio, which is computed as the total of current

and noncurrent liabilities divided by total equity. STI ESG monitors its debt-to-equity ratio to keep it at a level acceptable to the companies in STI ESG and the lender bank.

As at March 31, 2016 and 2015, the Company is required to maintain the following ratios:

- Debt-to-equity ratio of not more than 1.0x
- Debt service cover ratio of a minimum of 1.1x

On January 19, 2017, the Company and China Bank executed a Second Amendment and Supplemental Agreement to the Corporate Notes Facility Agreement. These amendments require the Company to maintain the following ratios which shall be computed based on the consolidated financial statements:

- 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;
- Debt Service Cover Ratio of a minimum of 1.05x.

As at March 31, 2016 and 2015, STI ESG's debt service coverage ratio is 7.07:1.00 and 2.94:1.00, respectively while STI ESG's debt-to-equity ratio is 0.19:1.00 and 0.25:1.00, as at March 31, 2016 and 2015, respectively.

Agreements/Commitments and Contingencies/Other Matters

- a. There are no changes in accounting estimates used in the preparation of the audited consolidated financial statements for the current and prior financial periods, except for De Los Santos-STI College and iACADEMY which revised the estimated useful lives of their building and improvements and leasehold improvements to consider the termination of the lease agreements.
- b. 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 P25.9 million as at March 31, 2016 and 2015.
- c. There are no material events and uncertainties known to management that would address the past and would have an impact on future operations of STI ESG.
- d. There are no known trends, demands, commitments, events of uncertainties that will have an impact on STI ESG's liquidity except for the contingencies and commitments enumerated in Note 29 of the Notes to Consolidated Financial Statements attached as Annex "A".
- e. The various loan agreements entered into by 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 is fully compliant with all the covenants of the loan agreements. Please see Notes 15 and 29 of the Notes to Consolidated Financial Statements of the Company attached as Annex "A".
- f. There are no significant elements of income or loss that did not arise from STI ESG's continuing operations.
- g. STI ESG'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. The core business and revenues of STI ESG, which are mainly from tuition and other school fees, are recognized as income over the corresponding academic year to which they pertain.

- h. On May 18, 2016, STI ESG entered into a Memorandum of Agreement to acquire for P20.0 million the net assets of STI College Sta. Maria, Inc. (STI College – Sta. Maria), a school located in Sta. Maria, Bulacan, which is operated by a franchisee of STI ESG. STI ESG made deposits of P10 million and P8 million in May 2016 and February 2017, respectively, for the planned acquisition.

External Audit Fees and Services

The accounting firm of SyCip Gorres Velayo & Co. ("SGV") was appointed as the Company's independent auditors. Since their appointment, the Company has no disagreement with them on any matters relating to accounting principles and practices, financial statement disclosures, or auditing scope or procedures. The same auditing firm has been endorsed for re-appointment by the Audit Committee to the Executive Committee.

The following are the External Audit Fees for the services rendered by SGV to the Company, particularly for the audit of the financial statements for the six-months ended September 30, 2016 and 2015 and years ended 31 March 2016 and 31 March 2015 .

September 30, 2016 and 2015

	September 2016 and 2015			
	Audit fee	OPE	VAT	Total Audit Fee
AUDIT	10,000,000	598,326	1,271,799	11,870,125
OTHERS	800,000	11,250	97,350	908,600
	10,800,000	609,576	1,369,149	12,778,725

March 31, 2016

	March 2016			
	Audit fee	OPE	VAT	Total Audit Fee
AUDIT	5,180,000	515,536	683,464	6,379,000
OTHERS	-	-	-	-
	5,980,000	526,786	780,814	6,379,000

March 31, 2015

	March 2015			
	Audit fee	OPE	VAT	Total
AUDIT	4,635,000	474,267	613,112	5,722,379
OTHERS	-	-	-	-
	4,635,000	474,267	613,112	5,722,379

The members of the Company's Audit Committee are the following:

Chairman	:	Joaquin E. Quintos
Members	:	Eusebio H. Tanco Raul B. De Mesa Yolanda M. Bautista

The partner-in-charge for the ensuing fiscal year is Mr. Benjamin N. Villacorte of SyCip Gorres Velayo & Co. SRC Rule 68, Part 3(b)(iv)(ix) provides that "the independent auditors or in the case of an audit firm, the signing partner, of the aforementioned regulated entities shall be rotated after every five (5) years of engagement. A two-year cooling-off period shall be observed in the engagement of the same signing partner or individual auditor". The Company is compliant with this rule.

Except for the audit of the financial statements required for the Company's annual filing with the SEC and the submission of the required financial statements in relation to the registration of its securities, the afore-cited independent public accountants provide no other type of services.

Except for the audit of the financial statements required for the Company's annual filing with the SEC and the submission of the required financial statements in relation to the registration of its securities, the afore-cited independent public accountants provide no other type of services.

In relation to the audit of the Company's annual financial statements, the Company's Audit Committee shall, among other activities, (i) evaluate significant issues reported by the external auditors in relation to the adequacy, efficiency and effectiveness of our policies, controls, processes and activities; (ii) ensure that other non-audit work provided by the external auditors, if any, are not in conflict with their functions as external auditors; and (iii) ensure our compliance with acceptable auditing and accounting standards and regulations.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

There are no known changes in and disagreements with accountants on accounting and other financial disclosure.

Independent Auditors and Counsel

Legal Matters

All legal opinions/matters in connection with the issuance of the Bonds will be passed upon by Sales Sta. Ana & Rondaris Law Office as the independent legal counsel for the Company and Puyat Jacinto & Santos for the Joint Issue Managers and the Joint Lead Underwriters ("PJS Law"). Herrera Teehankee & Cabrera Law Office is the retained counsel of the Company. Sales Sta. Ana & Rondaris Law Office, PJS Law, and Herrera Teehankee & Cabrera Law Office have no direct interest in the Company. .

Sales Sta. Ana & Rondaris Law Office, Herrera Teehankee & Cabrera Law Office and PJS Law may from time to time be engaged to advise in the transactions of the Company and perform legal services on the basis that Herrera Teehankee & Cabrera Law Office and PJS Law provide such services to its other clients.

Independent Auditors

The consolidated financial statements of the Company as at and for the fiscal years ended March 31, 2014, 2015, and 2016 have been audited by SyCip Gorres Velayo & Co., a member firm of Ernst & Young, independent auditors, in accordance with Philippine Standards on Auditing as set forth in their report thereon appearing elsewhere in this Prospectus. The interim consolidated financial statements as at 30 September 2016 and 31 March 2016 and the six months ended 30 September 2016 and 2015 have been audited by SyCip Gorres Velayo & Co., in accordance with Philippine Standards on Auditing

The Audit Committee of the Company, reviews and monitors, among others, the integrity of all financial reports and ensures compliance with both internal financial management manual and pertinent accounting standards, including regulatory requirements. The Audit Committee also performs the following duties and responsibilities relating to the services of the Company's external auditors:

- Asses and monitor the (i) external auditor's professional qualifications, competence, independence and objectivity and require the external auditor to make the statements necessary under applicable auditing standards as regards its relationship and services to the Company, discussing any relationship or services which may derogate its independence or objectivity; and (ii) the effectiveness of the audit process in accordance with applicable standards.
- Obtain objective assurance from the external auditor that the conduct of the audit and the manner of the preparation of the financial statements comply with applicable auditing standards and rules of regulatory bodies, including exchanges on which the securities of the Company are listed.
- Review and approve the nature and scope of the audit plans of the external auditor, including scope, audit resources and expenses, and reporting obligations before the audit commences.
- Review the reports or communications of the external auditor and ensure that management or the Board will provide a timely response to the issues raised in such reports or communications.
- Ensure the development and implementation of policies on the engagement of an external auditor to supply non-audit work, including the fees payable therefor, and evaluate any non-audit work undertaken by the external auditor to ensure that the same does not conflict with its audit functions. There is no arrangement that experts and independent counsels will receive a direct or indirect interest in the Issuer or was a promoter, underwriter, voting trustee, director, officer, or employee of the Issuer.

Taxation

The statements herein regarding taxation are based on the laws in force as of the date of this Prospectus and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The following summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase, own or dispose of the Bonds and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or commodities) may be subject to special rules. Prospective purchasers of the Bonds are advised to consult their own tax advisers concerning the overall tax consequences of their ownership of the Bonds.

As used in this section, the term “non-resident alien” means an individual whose residence is not within the Philippines and who is not a citizen of the Philippines. A non-resident alien who is actually within the Philippines for an aggregate period of more than 180 days during any calendar year is considered a “non-resident alien doing business in the Philippines”; however, a non-resident alien who is actually within the Philippines for an aggregate period of 180 days or less during any calendar year may be considered a “non-resident alien not engaged in trade or business within the Philippines”. A “non-resident foreign corporation” is a foreign corporation not engaged in trade or business within the Philippines.

Taxation of Interest

The Tax Code provides that interest-bearing obligations of Philippine residents are Philippine sourced income subject to Philippine income tax. Interest income derived by Philippine citizens and alien resident individuals from the Bonds is thus subject to income tax, which is withheld at source, at the rate of 20% based on the gross amount of interest. Generally, interest on the Bonds received by non-resident aliens engaged in trade or business in the Philippines is subject to a 20% final withholding tax while that received by non-resident aliens not engaged in trade or business is subject to a final withholding tax rate of 25%. Interest income received by domestic corporations and resident foreign corporations from the Bonds is subject to a final withholding tax rate of 20%. Interest income received by non-resident foreign corporations from the Bonds is subject to a 30% final withholding tax.

The foregoing rates are subject to further reduction by any applicable tax treaties in force between the Philippines and the country of residence of the non-resident owner. Most tax treaties to which the Philippines is a party generally provide for a reduced tax rate of 15% in cases where the interest which arises in the Philippines is paid to a resident of the other contracting state. However, most tax treaties also provide that reduced withholding tax rates shall not apply if the recipient of the interest who is a resident of the other contracting state, carries on business in the Philippines through a permanent establishment and the holding of the relevant interest-bearing instrument is effectively connected with such permanent establishment.

Tax-Exempt Status or Entitlement to Preferential Tax Rate

Bondholders who are exempt from or are not subject to final withholding tax on interest income or entitled to be taxed at a preferential rate may claim such exemption or avail of such preferential rate by submitting the necessary documents. Said Bondholder shall submit the following requirements: (i) a current and valid BIR-certified true copy of the tax exemption certificate, ruling or opinion addressed to the relevant applicant or Bondholder, confirming its exemption or preferential rate, as required under BIR Revenue Memorandum Circular No. 8-2014 including any clarification, supplement or amendment thereto; (ii) with respect to tax treaty relief, a copy of the duly filed tax treaty relief application with the International Tax Affairs Division of the BIR as required under the BIR Revenue Memorandum Order NO. 72-2010; including any clarification, supplement or amendment thereto and, once available, a BIR-certified certificate, ruling or opinion addressed to the relevant applicant or

Bondholder confirming its entitlement to the preferential tax rate under the applicable treaty; (iii) a duly notarized undertaking executed by (1) the corporate secretary or any authorized representative of such applicant or Bondholder, who has personal knowledge of the exemption based on his official functions, if the applicant purchases, or the Bondholder holds, the Bonds for its account, or (2) the trust officer, if the applicant is a universal bank authorized under Philippine law to perform trust and fiduciary functions and purchase the Bonds pursuant to its management of tax-exempt entities (i.e. Employee Retirement Fund, etc.), declaring and warranting such entities' tax exempt status or preferential rate entitlement, undertaking to immediately notify the Issuer, the Registrar and the Paying Agent of any suspension or revocation of the tax exemption certificate, certificate, ruling or opinion issued by the BIR, executed using the prescribed form, with a declaration and warranty of its tax exempt status or entitlement to a preferential tax rate, and agreeing to indemnify and hold the Issuer, the Registrar and the Paying Agent free and harmless against any claims, actions, suits, and liabilities resulting from the non- withholding or incorrect withholding of the required tax; and (iv) such other documentary requirements as may be required under the applicable regulations of the relevant taxing or other authorities; provided, that the Issuer, the Registrar and the Paying Agent shall have the exclusive discretion to decide whether the documents submitted are sufficient for purposes of applying the exemption or the reduced rate being claimed by the Bondholder on the interest payments to such Bondholder; provided further that, all sums payable by the Issuer to tax-exempt entities shall be paid in full without deductions for taxes, duties, assessments, or government charges, subject to the submission by the Bondholder claiming the benefit of any exemption of the required documents and of additional reasonable evidence of such tax-exempt status to the Registrar.

The foregoing requirements shall be submitted, (i) in respect of an initial issuance of Bonds, to the underwriters or selling agents who shall then forward the same with the Application to Purchase to the Registrar; or (ii) in respect of a transfer from a Bondholder to a purchaser, to the Registrar within three days from settlement date.

Value-Added Tax

Gross receipts arising from the sale of the Bonds in the Philippines by dealers in securities shall be subject to a 12% value-added tax. The term "gross receipt" means gross selling price less acquisition cost of the Bonds sold.

Gross Receipts Tax

Bank and non-bank financial intermediaries performing quasi-banking functions are subject to gross receipts tax on gross receipts derived from sources within the Philippines in accordance with the following schedule:

On interest, commissions and discounts from lending activities as well as income from financial leasing, on the basis of remaining maturities of instruments from which such receipts are derived:

Maturity period is five years or less: 5%

Maturity period is more than five years: 1%

Non-bank financial intermediaries not performing quasi-banking functions doing business in the Philippines are likewise subject to gross receipts tax. Gross receipts of such entities derived from sources within the Philippines from interests, commissions and discounts from lending activities are taxed in accordance with the following schedule based on the remaining maturities of the instruments from which such receipts are derived:

Maturity period is five years or less: 5%

Maturity period is more than five years: 1%

In case the maturity period of the instruments held by banks, non-bank financial intermediaries performing quasi-banking functions and non-bank financial intermediaries not performing quasi-banking functions is shortened through pre-termination, then the maturity period shall be reckoned to

end as of the date of pretermination for purposes of classifying the transaction and the correct rate shall be applied accordingly.

Net trading gains realized within the taxable year on the sale or disposition of the Bonds by banks and nonbank financial intermediaries performing quasi-banking functions shall be taxed at 7%.

Documentary Stamp Tax

A documentary stamp tax is imposed upon the issuance of debt instruments issued by Philippine companies, such as the Bonds, at the rate of PhP1.00 for each PhP200, or fractional part thereof, of the issue price of such debt instruments; provided that, for debt instruments with terms of less than one year, the documentary stamp tax to be collected shall be of a proportional amount in accordance with the ratio of its term in number of days to 365 days.

The documentary stamp tax is collectible wherever the document is made, signed, issued, accepted, or transferred, when the obligation or right arises from Philippine sources, or the property is situated in the Philippines. Any applicable documentary stamp taxes on the original issue shall be paid by the Issuer for its own account.

Taxation on Sale or Other Disposition of the Bonds

Income Tax

Any gain realized from the sale, exchange or retirement of bonds will, as a rule, form part of the gross income of the sellers, for purposes of computing the relevant taxable income subject to the regular rates of 32%, 25%, or 30%, as the case may be. If the bonds are sold by a seller, who is an individual and who is not a dealer in securities, who has held the bonds for a period of more than 12 months prior to the sale, only 50% of any capital gain will be recognized and included in the sellers' gross taxable income.

However, under the Tax Code, any gain realized from the sale, exchange or retirement of bonds, debentures and other certificates of indebtedness with an original maturity date of more than five years (as measured from the date of issuance of such bonds, debentures or other certificates of indebtedness) shall not be subject to income tax.

Moreover, any gain arising from such sale, regardless of the original maturity date of the bonds, may be exempt from income tax pursuant to various income tax treaties to which the Philippines is a party, and subject to procedures prescribed by the Bureau of Internal Revenue for the availment of tax treaty benefits.

Estate and Donor's Tax

The transfer by a deceased person, whether a Philippine resident or a non-Philippine resident, to his heirs of the Bonds shall be subject to an estate tax which is levied on the net estate of the deceased at progressive rates ranging from 5% to 20%, if the net estate is over P200,000. A Bondholder shall be subject to donor's tax based on the net gift on the transfer of the Bonds by gift at either (i) 30%, where the donee or beneficiary is a stranger, or (ii) at progressive rates ranging from 2% to 15% if the net gifts made during the calendar year exceed P100,000 and where the donee or beneficiary is not a stranger. For this purpose, a stranger is a person who is not a: (a) brother, sister (whether by whole or half-blood), spouse, ancestor or lineal descendant; or (b) relative by consanguinity in the collateral line within the fourth degree of relationship.

The estate or donor's taxes payable in the Philippines may be credited with the amount of any estate or donor's taxes imposed by the authority of a foreign country, subject to limitations on the amount to be credited, and the tax status of the donor.

The estate tax and the donor's tax, in respect of the Bonds, shall not be collected (a) if the deceased, at the time of death, or the donor, at the time of the donation, was a citizen and resident of a foreign country which, at the time of his death or donation, did not impose a transfer tax of any character in respect of intangible personal property of citizens of the Philippines not residing in that foreign country; or (b) if the laws of the foreign country of which the deceased or donor was a citizen and resident, at the time of his death or donation, allows a similar exemption from transfer or death taxes of every character or description in respect of intangible personal property owned by citizens of the Philippines not residing in the foreign country.

In case the Bonds are transferred for less than an adequate and full consideration in money or money's worth, the amount by which the fair market value of the Bonds exceeded the value of the consideration may be deemed a gift and may be subject to donor's taxes.

Documentary Stamp Tax

No documentary stamp tax is imposed on the subsequent sale or disposition of the Bonds, trading the Bonds in a secondary market or through an exchange. However, if the transfer constitutes a renewal of the Bonds, documentary stamp tax is payable anew.

Regulatory Framework

The 1987 Constitution provides that the State shall protect and promote the right of all citizens to quality education at all levels. The State recognizes the complementary roles of public and private institutions in the educational system, and exercises reasonable supervision and regulation of all educational institutions.

Ownership and Control of All Educational Institutions

As discussed above, Educational institutions, other than those established by religious groups and mission boards, shall be owned solely by Filipino citizens, or corporations or associations at least 60% of the capital of which is owned by such citizens. Congress may further increase the minimum Filipino equity participation. Moreover, control and administration of educational institutions shall be vested in Filipino citizens. Aliens are proscribed from intervening in the management, operation, administration, and control of educational institutions. Aliens may not be appointed to management positions such as president, vice-president, treasurer, or auditor, although they may be elected as directors in proportion to their allowable participation or share in the capital.

Basic Education

Basic Education is defined under Republic Act No. 9155, otherwise known as *Governance of Basic Education Act of 2001 (the "DepEd Law")*, was the education intended to meet basic learning needs which lays the foundation on which subsequent learning can be based. It encompasses early childhood, elementary and high school education, as well as alternative learning systems for out-of-school youth and adult learners, and includes education for those with special needs.

Under the Enhanced Basic Education Program, basic education now encompasses (i) at least one (1) year of kindergarten education, (ii) six (6) years of elementary education, and (iii) six (6) years of secondary education, which consists of four (4) years of Junior High School and two (2) years of Senior High School education.

Higher Education

Republic Act No. 7722, otherwise known as the *Higher Education Act of 1994 (the "CHED Law")*, created the Commission on Higher Education ("CHED"), a government institution independent and separate from the DepEd, and attached to the Office of the President for administrative purposes. Its powers and functions include the following:

1. Set minimum standards for programs and institution of higher learning recommended by panels of experts in the field and subject to public hearing, and enforce the same;
2. Monitor and evaluate the performance of programs and institutions of higher learning for appropriate incentives, as well as the imposition of sanctions such as, but not limited to, diminution or withdrawal of subsidy, recommendation on the downgrading or withdrawal of accreditation, program termination or school closure;
3. Rationalize programs and institutions of higher learning and set standards, policies and guidelines for the creation of new ones as well as the conversion or elevation of schools to institutions of higher learning, subject to budgetary limitations and the number of institutions of higher learning in the province or region where creation, conversion or elevation is sought to be made;
4. Promulgate such rules and regulations and exercise such other powers and functions as may be necessary to carry out effectively the purpose and objectives of the CHED Law; and

5. Perform such other functions as may be necessary for its effective operations and for the continued enhancement, growth or development of higher education.

As an educational institution providing higher education, the Company is subject to the regulation and supervision of the CHED.

Non-Degree Programs

Technical Education and Skills Development Authority

The Technical Education and Skills Development Authority ("**TESDA**") was established by Republic Act No. 7796, otherwise known as the *Technical Education and Skills Development Act of 1994 (the "TESDA Law")*, in line with the policy of the State to provide relevant, accessible, high quality and efficient technical education and skills development in order to develop high quality Filipino middle-level manpower. Its powers and functions include the following:

1. Establish and administer a system of accreditation of both public and private institutions; and
2. Establish, develop and support institutions' trainers' training and/or programs.

Under the TESDA Law, TESDA shall be primarily responsible for formulating and continuing coordinated and fully-integrated technical education and skills development policies, plans and programs. Moreover, Section 7 of the Technical-Vocational Education Training (the "TVET") Manual provides that the administration of the TVET system and the reasonable supervision and regulation of all TVET schools and/or institutions shall be vested in the TESDA, without prejudice, however, to the charter of any state university or college.

As an educational institution offering technical-vocational education, the Company is subject to the regulation and supervision of the TESDA.

To summarize, educational institutions are regulated as follows:

Program Offered	Regulatory Body
Basic Education	DepEd
Higher Education	CHED
Technical-Vocational Education	TESDA

Establishment of Educational Institutions

Senior High School

Under the **2010 Revised Manual of Regulations for Private Schools in Basic Education ("DepEd Manual")**, a private school proposed to be established must incorporate as a stock or non-stock educational corporation. In addition to compliance with the provisions of the Corporation Code of the Philippines ("**Corporation Code**"), the SEC shall not accept or approve the Articles of Incorporation and By-laws of any educational institution except upon favorable recommendation of the DepEd. The DepEd Manual requires a minimum paid-up capital of Two Million Five Hundred Thousand Pesos (PhP2,500,000.00) for stock educational institutions offering elementary and secondary courses.

In line with the Constitutional mandate for the State to take steps to make quality education accessible to all, the DepEd encourages educational institutions to establish branches, which shall be considered part of the corporate identity of the educational institution originally recognized by the DepEd. Thus, there will be no need for the branch to incorporate or have a separate corporate identity for its establishment.

After incorporation, the establishment of a private school shall be subject to the prior approval of the DepEd through the Regional Director having jurisdiction over the place where the school shall be established.

Educational institutions shall not be required to secure prior approval from the Regional Director concerned to establish a school branch, except if the branch will be located in the National Capital Region. Nevertheless, the Regional Director shall make sure that such school branch complies with the standards and requirements set by the DepEd.

After incorporation, the establishment of a private school shall be subject to the prior approval of the DepEd through the Regional Director having jurisdiction over the place where the school shall be established.

Higher Education

Section 20 of the *Manual of Regulations for Private Higher Education* published by CHED (“CHED Manual”) provides that all private higher education institutions (“HEI”) shall be established as a stock or non-stock educational corporation in accordance with the Corporation Code. Hence, the SEC, shall only accept the application for approval of an HEI’s Articles of Incorporation and By Laws if these have been favorably recommended by CHED. The minimum paid-up capital for stock higher educational institutions shall be Five Million Pesos (PhP5,000,000.00).

Similar to educational institutions providing basic education, HEIs may likewise establish new schools through a separate educational institution or as a branch of an existing educational corporation.

After incorporation, the educational institution must apply for the approval of the CHED to establish a school. Prior CHED approval shall not be required to establish a school branch *within the same city or municipality*, except when the school branch will be located in the National Capital Region.

Technical-Vocational Education Training

Section 4(9) of the TVET Manual defines a TVET school as a technical-vocational education and training institution, public or private, undertaking educational operations with an organized group of students pursuing defined studies at defined levels.

Any private TVET school sought to be established must incorporate either as a non-stock or a stock educational corporation. The SEC, shall only accept the application for approval of TVET school or institution’s Articles of Incorporation and By Laws if these have been favorably recommended by the TESDA.

Similar to educational institutions offering basic and higher education, TVET schools may establish new schools through a separate educational institution or as a branch of an existing educational corporation.

Requirement of Government Authority

Senior High School

A private school must apply for Government Authority for every Senior High School program that it seeks to offer. This Government Authority is of two (2) kinds: Government Permit and Government Recognition.

When a new school intends to open, or when an existing school intends to operate a *new* Senior High School program, it must apply for a **Government Permit** with the appropriate DepEd Regional Office. The Government Permit shall serve as a *provisional* permit to operate the Senior High School program while the school endeavors to comply with all of the requirements prescribed by the Regional Office

for the continuous operation of the Senior High School program applied for. The Government Permit is issued on a per school year basis and remains valid until formally revoked for cause by the DepEd.

When the school has complied with all of the requirements prescribed by the Regional Office, it may apply for Government Recognition. A Government Permit which has been previously issued shall continue to be valid and considered renewed during the period where the school has already applied for Government Recognition and the DepEd has not yet officially responded, either favorably or unfavorably. When the Government Recognition is issued, the Government Permit is transformed to *permanent* authority for the school to operate the course. It shall remain valid unless withdrawn or revoked for cause and after due process.

The grant of recognition for schools shall be based on (i) its satisfactory operation during the school year, without any deficiencies in instruction, administration and/or management, and (ii) its full compliance with the prescribed requirements of the course.

The issuance of a Certificate of Recognition shall (1) entitle the school to give the students who have completed the course a certificate, title, diploma or degree, and (2) entitle graduates of recognized courses to all the benefits and privileges enjoyed by graduates of similar programs in all schools authorized by the government.

A matrix of the DepEd Government Permits to operate the Senior High School programs offered by STI schools is attached as Annex "C".

Withdrawal or Revocation of Government Authority

The closure of any program or course may either be voluntary or involuntary.

A school may choose to terminate any of its programs or courses, provided such closure is undertaken at the end of the school term. The school is obliged to furnish the necessary transfer credentials and records to the students affected by the closure.

The DepEd may order the revocation or withdrawal of a Government Permit or Recognition previously issued for valid cause, and after due process, as provided by existing laws and regulations. However, a Government Recognition may, instead of being revoked, be reverted to a Government Permit for a period of one (1) school year in the following cases:

1. Fraud or deceit by the school in connection with the application to the DepEd for a Government Permit or Recognition;
2. Unauthorized operation of a new school or branch, or a new program or course of study, or major components thereof; and
3. Violation of DepEd orders or regulations.

Government Recognition not operated for more than one (1) school year is deemed automatically cancelled. The school, however, may reopen under permit status, provided that DepEd rules and prescribed standards are complied with.

When a school, which has been granted a Government Recognition transfers to another location, the Government Recognition is deemed cancelled, unless the new site and campus school buildings and quarters are found to be much better than the former, and all other standards have been satisfactorily maintained.

In the event that there is change of ownership of the school, the school is considered to be new, and the Government Recognition shall be deemed cancelled. The new owner must apply for and secure from the DepEd a new Government Permit or Recognition.

A revoked Government Recognition may be restored when the basis for such revocation no longer exists, all the requirements having been met and after the school has conformed with DepEd rules and standards. The school shall resume operations under permit status for one school year.

Higher Education

General Rule

No HEI may operate any degree program without the approval of CHED. The CHED Manual prohibits the following acts in the absence of a Government Permit or Recognition issued by CHED:

1. Operation of any higher education Institution or degree program;
2. Operation of a branch or extension;
3. Issuance of any certificate, degree or title by an institution; and
4. Offer or enroll any student in any degree program.

For programs in the undergraduate level, the grant of Government Authority to operate consists of the following phases: (1) the Government Permit Phase, and (2) the Government Recognition Phase. For programs in the graduate level, applications for authority to operate shall immediately be for Government Recognition.

A duly established HEI desiring to open a new degree program shall apply first for a Government Permit. The written approval of the application issued by CHED shall serve as an Initial Government Permit, which shall only apply to the first and second year levels of the program applied for. On the second year of the program, the HEI may either (a) apply for a new Government Permit to operate the subsequent third year level of the program, or (b) apply for a Government Recognition if it has complied with all the requirements for the continuous operation of the full degree program applied for. A Government Recognition granted for a degree program shall remain valid, unless withdrawn or revoked for cause and after due process.

A Government Permit previously issued shall be considered renewed and continue to be valid for purposes of graduating students during the period where the HEI has already applied for recognition of the program and CHED has not officially responded through no fault of the applicant HEI.

The Government Permit or Recognition only applies to the grantee and shall be subject to the conditions set forth therein. It cannot be alienated or be the subject of any contract.

When CHED Approval is Not Required

An HEI that has attained Level III accreditation for Arts and Sciences and for three (3) other professional courses may open and operate a new degree program in any field without prior CHED approval. The HEI should still, however, (1) inform CHED through the Office of Programs and Standards, and the Regional Office concerned, and (2) comply with the requirements applicable to the new degree program.

Transfer of Location

A HEI that desires to transfer its institutional site or location shall not be required to apply for a new Government Permit or Recognition provided that:

1. The new site/location is better than the previous location;
2. No new program shall be offered without government authority immediately after the transfer;
3. All the minimum requirements for its programs offered before the transfer are maintained subject to verification by CHED; and
4. CHED is duly informed before the transfer.

A matrix of the CHED Government Permits and Government Recognitions to operate the higher education programs of STI schools is attached as Annex "D".

Technical-Vocational Education Training

Registration of all TVET programs under the Unified TVET Program Registration and Accreditation System ("UTPRAS") is mandatory before a TVET program may be offered. When all the requirements under the UTPRAS are complied with, TESDA issues a Certificate of Program Registration ("CoPR") and the program is officially listed in the TESDA Compendium of Registered Programs.

The rules governing the establishment of TVET Institutions are contained in the TVET Manual and TESDA Circular No. 45, series of 2007, otherwise known as the *Omnibus Guidelines on Program Registration under the Unified TVET Program Registration and Accreditation System* ("TVET Guidelines").

Section 4(9) of the TVET Manual defines a TVET School as a TVET institution, public or private, undertaking educational operations with an organized group of students pursuing defined studies at defined levels.

Section 28 of the TVET Manual provides that "no institution established as a TVET school or institution shall undertake operations or conduct TVET programs or courses without prior government authorization. This authorization is obtained through registration of the school's TVET programs and/or operations." Section 29 of the TVET Manual further provides:

An educational institution can undertake TVET operation and conduct TVET programs only when so authorized by TESDA. The authority to conduct TVET program operations is applied for and is granted by the Authority through the registration of the TVET program. The grant of authority to operate a TVET program consists of a single-stage registration system wherein a Certificate of Registration is granted to an applicant-school who shall satisfy the minimum standards.

Note that the *establishment* of a TVET Institution refers to the creation or incorporation of an institution resulting in its legal existence as an institution of learning. *Program registration* presumes an existing school or training institution and refers to the authorization granted by the TESDA for the training institution to conduct TVET programs or operations, *i.e.* the Certificate of TVET Program Registration.

The TESDA registration process is as follows:

(1)	The applicant TVET shall file a Letter of Application together with the documentary requirements for program registration to the TESDA Provincial or District Office (PO/DO) that have jurisdiction over the institution's application at least 30 calendar days before institution starts offering the program.
(2)	The PO/DO shall evaluate all application within five (5) working days from the time the Acknowledgement Letter is sent to the applicant. A notification shall be sent to the institution in the form of Program Requirement Checklist indicating the status of the evaluation of the documents submitted.
(3)	The non-refundable registration fee shall be paid during the ocular inspection and properly receipted by the TESDA PO/DO.
(4)	The UTPRAS Evaluation Team shall undertake curriculum evaluation and inspection and verification of faculty qualifications, training supplies and materials, tools, machines and equipment, site and facilities within 30 calendar days from receipt of the application. In carrying out this task, the TESDA PO/DO shall employ the services of experts. Original documents and one (1) electronic copy of the complete documents must be presented by the institution during the ocular inspection.

A	(5)	Copy of the complete documents together with the results of the inspection, verification, evaluation, and corresponding recommendations of the TESDA PO/DO shall be forwarded to the TESDA Regional Office for final review and issuance of the Certificate of Program Registration.
	(6)	The TESDA Regional Office shall issue a Certificate of Program Registration indicating whether the program registered is one "With Training Regulations" ("WTR") or one with "No Training Regulations ("NTR")."

matrix of the Company's TESDA Program Registrations is attached as Annex "E".

Teaching Personnel

Senior High School

Section 66 of the DepEd Manual provides that as a general rule, private schools shall employ full-time school personnel. Such full-time school personnel must have (1) the minimum qualifications prescribed in the DepEd Manual, (2) no other remunerative employment requiring regular working hours elsewhere, and (3) whose services to the extent of at least eight (8) hours during each working day are available during the entire time the school operates. Part-time school personnel may be employed depending on the needs of the school and/or the availability of qualified applicants.

Section 70 of the DepEd Manual provides the following minimum qualifications for school teaching personnel in private high schools:

1. Pass the Licensure Examination for Teachers ("LET");
2. For academic subjects: Possess a bachelor's degree in education, or its equivalent, or a bachelor's of arts degree, with such additional number of professional education subjects as may be required, to teach largely in their major or minor fields of concentration; and
3. For vocational subjects: Possess any bachelor's degree, with knowledge of the vocational courses to be taught.

Higher Education

The minimum qualifications of a faculty for the undergraduate programs in a HEI shall be as follows:

1. Holder of a master's degree, to teach mainly in his major field and where applicable, a holder of appropriate professional license requiring at least a bachelor's degree for the professional courses. In fields where there is a dearth of holders of a master's degree, a holder of a professional license requiring at least a bachelor's degree may be qualified to teach.
2. For Physical Education: Holder of a degree in Bachelor of Science in Physical Education, with major or minor in physical education, or any other bachelor's degree with a certificate in physical education.
3. For Music Education: Holder of a degree in Bachelor of Music, or Bachelor of Science, with major or minor in music, or any other bachelor's degree with a certificate in music.

Technical-Vocational Education Training

Section 69 of the TVET Manual provides that the minimum qualifications for TVET school/institution instructors or trainers for the different levels of instruction in the TVET programs is as follows:

1. For Academic or Tool Subjects: holder of bachelor's degree with appropriate major or minor field, or its equivalent, with adequate background in pedagogy, to teach largely in major or minor fields.

2. For Science and Technology Subjects: holder of bachelor's degree or professional license required for at least a bachelor's degree, with adequate background in pedagogy, and preferably a holder of a master's degree in relevant field.
3. For Technical-Vocational Subjects: a technology teacher assigned to teach a technology subject must possess teaching competence and technical expertise in the particular trade or occupational area to be conducted, and at least meet the minimum qualification for technology teacher as follows:
 - a. Holder of a technician course diploma from a government-accredited technical vocational education institution, with adequate background in pedagogy, or holder of a bachelor's degree in Industrial Education or in Technical Teacher Education with adequate knowledge and competence of the technical-vocational subjects he is to teach.
 - b. Have at least one (1) year actual work experience in industry or trade area related to the subject he is to teach.
 - c. At least a holder of a Competency Certificate issued under the existing national trainer certification program. The qualification of the technology teacher as stated in the competency certificate should have at least the same level as the program to be taught.
4. For Non-formal, Informal and Special TVET programs: Any graduate of the corresponding program or course who has successfully demonstrated occupational or trade experience of at least two (2) years, and at least a holder of an appropriate competency certificate.
5. For the Master Technician Program: Holder of the appropriate master technician license, or any other related and appropriate master's degree, depending on the thrust of the program or course, to teach on his field of expertise.

Business Permit

Section 16 of the Local Government Code provides that every local government unit shall exercise powers expressly granted, those necessarily implied therefrom, as well as powers necessary, appropriate, or incidental for its efficient and effective governance, and those which are essential to the promotion of the general welfare. Said provision encapsulates the delegated police power of local governments.

Moreover, Section 444(b)(3)(iv) of the Local Government Code provides that one of the powers of the local Chief Executive, *i.e.* the Mayor, is to issue licenses and permits, and suspend or revoke the same for any violation of its conditions. The power of the mayor to issue licenses and permits is a manifestation of the delegated police power of a municipal corporation.

One of the basic requirements to conduct business in a given city or municipality is a Business Permit, sometimes called a Mayor's Permit.

Environmental Laws

Development projects that are classified by law as environmentally critical or projects within statutorily defined environmentally critical areas are required to obtain an Environmental Compliance Certificate ("ECC") prior to commencement. The DENR through its regional offices or through the Environmental Management Bureau ("EMB"), determines whether a project is environmentally critical or located in an environmentally critical area. As a requisite for the issuance of an ECC, an environmentally critical project is required to submit an Environmental Impact Statement ("EIS") to the EMB while a project in an environmentally critical area is generally required to submit an Initial Environmental Examination ("IEE") to the proper DENR regional office. In case of an environmentally critical project within an environmentally critical area, an EIS is required. The construction of major roads and bridges are considered environmentally critical projects for which EISs and ECCs are mandated.

The EIS refers to both the document and the study of a project's environmental impact, including a discussion of the direct and indirect consequences to human welfare and ecological as well as environmental integrity. The IEE refers to the document and the study describing the environmental impact, including mitigation and enhancement measures, for projects in environmentally critical areas.

While the EIS or an IEE may vary from project to project, as a minimum, it contains all relevant information regarding the projects' environmental effects. The entire process of organization, administration and assessment of the effects of any project on the quality of the physical, biological and socio-economic environment as well as the design of appropriate preventive, mitigating and enhancement measures is known as the EIS System. The EIS System successfully culminates in the issuance of an ECC. The issuance of an ECC is a Government certification, that the proposed project or undertaking will not cause a significant negative environmental impact; that the proponent has complied with all the requirements of the EIS System and that the proponent is committed to implement its approved Environmental Management Plan in the EIS or, if an IEE was required, that it shall comply with the mitigation measures provided therein.

Project proponents that prepare an EIS are required to establish an Environmental Guarantee Fund ("EGF") when the ECC is issued to projects determined by the DENR to pose a significant public risk to life, health, property and the environment. The EGF is intended to answer for damages caused by such a project as well as any rehabilitation and restoration measures. Project proponents that prepare an EIS are mandated to include a commitment to establish an Environmental Monitoring Fund ("EMF") when an ECC is eventually issued. The EMF shall be used to support the activities of a multi-partite monitoring team which will be organized to monitor compliance with the ECC and applicable laws, rules and regulations.

All development projects, installations and activities that discharge liquid waste into and pose a threat to the environment of the Laguna de Bay Region are also required to obtain a discharge permit from the Laguna Lake Development Authority.

The Company incurs expenses for the purposes of complying with environmental laws that consist primarily of payments for Government regulatory fees. Such fees are standard in the industry and are minimal.

Property Registration and Nationality Restrictions

The Philippines has adopted a system of land registration, which conclusively confirms land ownership which is binding on all persons, including the Government. Once registered, title to registered land can no longer be challenged except with respect to claims noted on the certificate of title. Title to registered lands cannot be lost through adverse possession or prescription. Presidential Decree No. 1529, as amended, codified the laws relative to land registration and is based on the generally accepted principles underlying the Torrens System.

After proper surveying, application, publication and service of notice and hearing, unregistered land may be brought under the system by virtue of judicial or administrative proceedings. In a judicial proceeding, the Regional Trial Court within whose jurisdiction the land is situated confirms title to the land. Persons opposing the registration may appeal the judgment within fifteen (15) days to the Court of Appeals or the Supreme Court. After the lapse of the period of appeal, the Register of Deeds may issue an Original Certificate of Title. The decree of registration may be annulled on the ground of actual fraud within one (1) year from the date of entry of the decree of registration. Similarly, in an administrative proceeding, the land is granted to the applicant by the DENR by issuance of a patent and the patent becomes the basis for issuance of the Original Certificate of Title by the Register of Deeds. All land patents such as homestead, sales and free patents, must be registered with the appropriate registry of deeds since the conveyance of the title to the land covered thereby takes effect only upon such registration.

Any subsequent transfer of encumbrance of the land must be registered in the system in order to bind third persons. Subsequent registration and a new Transfer Certificate of Title in the name of the transferee will be granted upon presentation of certain documents and payment of fees and taxes. Constitution prescribes nationality restrictions on land ownership, there is generally no prohibition against foreigners owning building and other permanent structures.

However, with respect to landowners, the foreign ownership of units in such developments is limited to forty percent (40%).

Zoning and Land Use

LGUs are authorized under the Local Government Code to enact zoning ordinances. These ordinances may restrict or limit the zoning and land use of parcels of land within the locality. LGUs may classify parcels of land as commercial, industrial, residential or agricultural. A procedure for change of land use is allowed, although the process may be lengthy and cumbersome.

Land classified for agricultural purposes as of or after June 15, 1988, cannot be converted to non-agricultural use without the prior approval of DAR.

Property Taxation

Real property taxes are payable annually based on the property's assessed value. The assessed value of property and improvements vary depending on the location; use and the nature of the property. Land is ordinarily assessed at 20% to 50% of its fair market value; buildings may be assessed at up to 80% of their fair market value; and machinery may be assessed at 40% to 80% of its fair market value.

Real property taxes may not exceed 2% of the assessed value in municipalities and cities within Metro Manila or in other chartered cities and 1% in all other areas. An additional special education fund tax of 1% of the assessed value of the property is also levied annually.

Local Government Code

The Local Government Code establishes the system and powers of provincial, city, municipal, and *barangay* governments in the country. The Local Government Code general welfare clause states that every local government unit ("LGU") shall exercise the powers expressly granted, those necessarily implied, as well as powers necessary, appropriate, or incidental for its efficient and effective governance, and those which are essential to the promotion of the general welfare.

LGUs exercise police power through their respective legislative bodies. Specifically, the LGU, though its legislative body, has the authority to enact such ordinances as it may deem necessary and proper for sanitation and safety, the furtherance of the prosperity, and the promotion of the morality, peace, good order, comfort, convenience, and general welfare of the locality and its inhabitants. Ordinances can reclassify land, order the closure of business establishments, and require permits and licenses from businesses operating within the territorial jurisdiction of the LGU.

Securities and Exchange Commission

Under the SRC, the SEC has jurisdiction and supervision over all corporations, partnerships or associations that are grantees of primary franchises, license to do business or other secondary licenses. As the government agency regulating the Philippine securities market, the SEC issues regulations on the registration and regulation of securities exchanges, the securities market, securities trading, the licensing of securities brokers and dealers and reportorial requirements for publicly listed companies and the proper application of SRC provisions, as well as the Corporation Code, and certain other statutes.

Department of Trade and Industry

The DTI is the primary government agency with the dual mission of facilitating the creation of a business environment wherein participants could compete, flourish, and succeed and, at the same time, ensuring consumer welfare. It is the enforcement of laws to protect and educate consumers that becomes the driving factor in the relationship of DTI and educational institutions, such as STI ESG.

Department of Labor and Employment

Department of Labor and Employment stands as the national government agency mandated to formulate policies, implement programs and services, and serve as the policy-coordinating arm of the Executive Branch of the Government in the field of labor and employment. The Department has exclusive authority in the administration and enforcement of labor and employment laws and such other laws as specifically assigned to it or to the Secretary of Labor and Employment.

Social Security System and PhilHealth

An employer, or any person who uses the services of another person in business, trade, industry or any undertaking is required under the Social Securities Act of 1997 (RA No. 8282) to ensure coverage of employees following procedures set out by the law and the Social Security System of the Philippines ("SSS"). The employer must deduct from its employees their monthly contributions based on a given schedule, pay its share of contribution and remit these to the SSS within a period set by law and/ or SSS regulations.

PhilHealth is a government corporation attached to the Department of Health of the Philippines ("DOH") that ensures sustainable, affordable and progressive social health insurance pursuant to the provisions of RA 7875 or the National Health Insurance Act of 1995. Employers are required to ensure enrollment of their employees in a National Health Program being administered by the PhilHealth.

Appendices

Annex A – Audited Consolidated Financial Statements as at and for the years ended March 31, 2014, 2015, and 2016

Annex B – Interim Audited Consolidated Financial Statements as at September 30, 2016 and March 31, 2016 and for the six months ended September 30, 2016 and 2015

Annex C – DepEd Permits

Annex D – CHED Permits and Recognitions

Annex E – TESDA Registrations

Parties to the Offer

Issuer	:	STI – Education Services Group.
Issue Manager	:	China Bank Capital Corporation First Metro Investment Corporation
Underwriter’s Legal Counsel	:	Puyat Jacinto & Santos Law
Issuer’s Legal Counsel	:	Herrera Teehankee & Cabrera Law Office
Trustee	:	China Banking Corporation – Trust Group
Registrar and Paying Agent	:	Philippine Depository and Trust Corporation
Auditor	:	SyCip Gorres Velayo & Co.