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(Company's Full Name)

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

ARSENIO C. CABRERA JR.

Contact Person

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

Company Telephone Number

0	6

Month

3	0

Day

Fiscal Year

SEC FORM 17-Q For the Three-month Period Ended 30 September 2024

FORM TYPE

1st Thursday of November

Month *Day*

Annual Meeting

N/A

Secondary License Type, If Applicable

M	S	R	D

Dept. Requiring this Doc.

N/A

Amended Article Number/Section

				6	3

Total No. of Stockholders

Total Amount of Borrowings

Php820 million Series 10-year Bonds

Domestic

N/A

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

SECURITIES AND EXCHANGE COMMISSION SEC FORM 17-Q
QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1.	For the three-month period ended	September 30, 2024
2.	SEC Identification Number	113156
3.	BIR Tax Identification Number	000-143-457-000
4.	Exact name of registrant as specified in its charter	STI EDUCATION SERVICES GROUP, INC.
5.	Province, country or other jurisdiction of incorporation or organization	Metro Manila, Philippines
6.	Industry Classification Code (SEC Use Only)	
7.	Address of Principal Office	STI Academic Center Ortigas-Cainta Ortigas Avenue Extension, Cainta, Rizal
8.	Registrant's telephone number (including area code)	(632) 8812-17-84
9.	Former name, former address, former fiscal year, if changed since last report	N/A

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

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Stock	3,081,877,170 shares Issued and Outstanding
Fixed Rate Bonds	₱3.0 billion bonds listed; ₱820.0 million outstanding 10-year series

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

Yes [ ] No [√]

Name of Stock Exchange: N/A Class of Securities: N/A

Shares of Common Stock Issued and Outstanding are not listed in any stock exchange. Fixed Rate Bonds are listed in the Philippine Dealing & Exchange Corp. (PDEx).

12. Check whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Securities Regulations Code (SRC) and SRC Rule 17 (a) - 1 there under and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding 12 months (or for such shorter period that the registrant was required to file such reports);

Yes [√] No [ ]

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

Yes [√] No [ ]

PART I – FINANCIAL INFORMATION

Item 1 – Financial Statements

Please refer to Annex "A".

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

Please refer to Annex "B".

PART II – OTHER INFORMATION

Not applicable

SIGNATURE PAGE

Pursuant to the requirements of Section 17 of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereto duly authorized.

STI EDUCATION SERVICES GROUP, INC.

By:

Signature and Title	**MONICO V. JACOB** Vice Chairman and CEO
Date	November 19, 2024
Signature and Title	**PETER K. FERNANDEZ** President and COO
Date	November 19, 2024
Signature and Title	**YOLANDA M. BAUTISTA** Treasurer
Date	November 19, 2024

ANNEX "A"

STI EDUCATION SERVICES GROUP, INC.
(A Private Educational Institution)
AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2024 AND JUNE 30, 2024

	September 30, 2024	June 30, 2024
	(Unaudited)	(Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 5)	**₱1,340,626,485**	₱1,191,716,845
Receivables (Note 6)	**1,640,379,657**	347,232,034
Inventories (Note 7)	**141,190,867**	147,421,269
Prepaid expenses and other current assets (Note 8)	**108,683,531**	98,790,986
Equity instruments at fair value through profit or loss (FVPL) (Note 9)	**9,145,000**	8,137,500
Total Current Assets	**3,240,025,540**	1,793,298,634
Noncurrent Assets		
Property and equipment (Note 10)	**7,847,437,497**	7,548,645,572
Investment properties (Note 11)	**830,132,288**	836,772,871
Investments in and advances to associates and joint venture (Note 12)	**480,805,763**	496,276,072
Equity instruments at fair value through other comprehensive income (FVOCI) (Note 13)	**76,116,909**	76,027,229
Deferred tax assets – net (Note 4)	**64,547,442**	33,985,006
Goodwill, intangible and other noncurrent assets (Note 14)	**413,731,995**	435,946,908
Total Noncurrent Assets	**9,712,771,894**	9,427,653,658
TOTAL ASSETS	**₱12,952,797,434**	₱11,220,952,292
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Note 15)	**₱698,200,852**	₱714,923,355
Current portion of interest-bearing loans and borrowings (Note 16)	**536,228,000**	536,274,021
Unearned tuition and other school fees	**1,815,359,765**	93,026,256
Current portion of lease liabilities	**60,798,940**	62,786,000
Income tax payable	**60,298,906**	21,473,093
Total Current Liabilities	**3,170,886,463**	1,428,482,725
Noncurrent Liabilities		
Interest-bearing loans and borrowings - net of current portion (Note 16)	**1,280,815,033**	1,549,840,391
Bonds payable (Note 17)	**815,391,255**	814,967,275
Lease liabilities - net of current portion	**242,511,811**	252,248,072
Pension liabilities - net	**45,987,643**	66,659,244
Other noncurrent liabilities (Notes 18 and 19)	**131,331,613**	112,067,244
Total Noncurrent Liabilities	**2,516,037,355**	2,795,782,226
Total Liabilities *(Carried Forward)*	**5,686,923,818**	4,224,264,951

	September 30, 2024	June 30, 2024
	(Unaudited)	(Audited)
Total Liabilities *(Brought Forward)*	**₱5,686,923,818**	₱4,224,264,951
Equity Attributable to Equity Holders of the Parent Company		
(Note 19)		
Capital stock	**3,087,829,443**	3,087,829,443
Deposits for future stock subscriptions (Notes 18 and 19)	**83,000,000**	–
Additional paid-in capital	**386,916,479**	386,916,479
Treasury stock	**(10,833,137)**	(10,833,137)
Cumulative actuarial gain	**58,092,128**	36,707,023
Unrealized fair value adjustment on equity instruments at FVOCI (Note 13)	**20,330,599**	20,240,919
Other equity reserve	**(46,104,556)**	(46,104,556)
Share in associates':		
Cumulative actuarial gain	**298,698**	298,698
Unrealized fair value loss on equity instruments at FVOCI (Note 12)	**(43,581)**	(34,579)
Retained earnings	**3,689,507,805**	3,524,679,379
Total Equity Attributable to Equity Holders of the Parent Company	**7,268,993,878**	6,999,699,669
Equity Attributable to Non-controlling Interests	**(3,120,262)**	(3,012,328)
Total Equity	**7,265,873,616**	6,996,687,341
TOTAL LIABILITIES AND EQUITY	**₱12,952,797,434**	₱11,220,952,292

See accompanying Notes to the Unaudited Interim Condensed Consolidated Financial Statements.

STI EDUCATION SERVICES GROUP, INC.
(A Private Educational Institution)
AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2024 AND 2023

	Three months ended September 30	
	2024 (Unaudited)	2023 (Unaudited)
REVENUES (Note 20)		
Sale of services:		
Tuition and other school fees	**₱618,349,362**	₱334,797,240
Educational services	**57,623,808**	45,561,977
Royalty fees	**6,057,514**	4,796,349
Others	**33,168,368**	28,092,808
Sale of goods -		
Sale of educational materials and supplies	**57,397,225**	66,914,740
	772,596,277	480,163,114
COSTS AND EXPENSES		
Cost of educational services (Note 21)	**199,454,569**	156,828,668
Cost of educational materials and supplies sold (Note 22)	**46,430,602**	47,846,352
General and administrative expenses (Note 23)	**328,486,653**	288,827,862
	574,371,824	493,502,882
INCOME(LOSS) BEFORE OTHER INCOME (EXPENSES) AND INCOME TAX	**198,224,453**	(13,339,768)
OTHER INCOME (EXPENSES)		
Interest expense (Notes 16 and 17)	**(62,891,523)**	(67,711,519)
Rental income	**27,351,923**	28,133,107
Foreign exchange gain (loss) - net	**(5,765,517)**	13,731,097
Interest income (Notes 5 and 6)	**8,341,391**	5,031,107
Gain on:		
Early extinguishment of loan (Note 16)	**-**	3,076,465
Sale of property and equipment	**-**	14,391
Sale of investment in a subsidiary and associates	**3,161,208**	-
Equity in net earnings of associates and joint venture (Note 12)	**6,377,485**	3,049,853
Recovery of accounts written off (Note 6)	**4,017,278**	1,847,192
Fair value gain (loss) on equity instruments at FVPL (Note 9)	**1,007,500**	(1,395,000)
Dividend income (Notes 9 and 13)	**153,760**	151,590
Other income (expenses) – net (Note 4)	**1,967,518**	(226,795)
	(16,278,977)	(14,298,512)
INCOME(LOSS) BEFORE INCOME TAX *(Carried Forward)*	**181,945,476**	(27,638,280)

`	Three months ended September 30	
	2024 (Unaudited)	**2023 (Unaudited)**
INCOME(LOSS) BEFORE INCOME TAX *(Brought Forward)*	**₱181,945,476**	(₱27,638,280)
PROVISION FOR (BENEFIT FROM) INCOME TAX		
Current	**50,163,543**	20,588,615
Deferred	**(32,938,559)**	(26,472,765)
	17,224,984	(5,884,150)
NET INCOME(LOSS)	**164,720,492**	(21,754,130)
OTHER COMPREHENSIVE INCOME		
Items not to be reclassified to profit or loss in subsequent years:		
Remeasurement gain on pension liabilities	**23,761,228**	2,096,579
Tax effect on remeasurement loss (gain) on pension liabilities	**(2,376,123)**	(209,658)
Unrealized fair value adjustment on equity instruments at FVOCI (Note 13)	**89,680**	1,258,960
Share in associate's unrealized fair value adjustment on equity instruments at FVOCI (Note 12)	**(9,002)**	3,145
OTHER COMPREHENSIVE INCOME, NET OF TAX	**21,465,783**	3,149,026
TOTAL COMPREHENSIVE INCOME (LOSS)	**₱186,186,275**	(₱18,605,104)
Net Income (Loss) Attributable To		
Equity holders of the Parent Company	**₱164,828,426**	(₱21,504,598)
Non-controlling interests	**(107,934)**	(249,532)
	₱164,720,492	(₱21,754,130)
Total Comprehensive Income (Loss) Attributable To		
Equity holders of the Parent Company	**₱186,294,209**	(₱18,355,572)
Non-controlling interests	**(107,934)**	(249,532)
	₱186,186,275	(₱18,605,104)
Basic/Diluted Earnings (Loss) Per Share on Net Income (Loss) Attributable to Equity Holders of the Parent Company (Note 25)	**₱0.05**	(₱0.01)

See accompanying Notes to the Unaudited Interim Condensed Consolidated Financial Statements.

STI EDUCATION SERVICES GROUP, INC.
(A Private Educational Institution)
AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2024 AND 2023

	Capital Stock (Note 19)	Additional Paid-in Capital	Deposit on stock subscription (Note 19)	Treasury Stock (Note 19)	Cumulative Actuarial Gain	Unrealized Fair Value Adjustment on Equity Instruments at FVOCI (Note 13)	Other Equity Reserve (Note 19)	Share in Associates' Cumulative Actuarial Gain (Note 12)	Share in Associates' Unrealized Fair Value Loss on Equity Instruments at FVOCI (Note 12)	Retained Earnings (Note 19)	Total	Equity Attributable to Non-controlling Interests	Total Equity
Balance at July 1, 2024	**₱3,087,829,443**	**₱386,916,479**	**₱ –**	**(₱10,833,137)**	**₱36,707,023**	**₱20,240,919**	**(₱46,104,556)**	**₱298,698**	**(₱34,579)**	**₱3,524,679,379**	**₱6,999,699,669**	**(₱3,012,328)**	**₱6,996,687,341**
Net Income	–	–		–	–	–	–	–	–	**164,828,426**	**164,828,426**	**(107,934)**	**164,720,492**
Other comprehensive income	–	–	**83,000,000**	–	**21,385,105**	**89,680**	–	–	**(9,002)**	–	**104,465,783**	–	**104,465,783**
Total comprehensive income	–	–	**83,000,000**	–	**21,385,105**	**89,680**	–	–	**(9,002)**	**164,828,426**	**269,294,209**	**(107,934)**	**269,186,275**
Balance at September 30, 2024	**₱3,087,829,443**	**₱386,916,479**	**₱83,000,000**	**(₱10,833,137)**	**₱58,092,128**	**₱20,330,599**	**(₱46,104,556)**	**₱298,698**	**(₱43,581)**	**₱3,689,507,805**	**₱7,268,993,878**	**(₱3,120,262)**	**₱7,265,873,616**
Balance at July 1, 2023	₱3,087,829,443	₱386,916,479	**₱ –**	(₱10,833,137)	₱2,589	₱15,008,758	(₱46,104,556)	₱163,082	(₱38,774)	₱2,865,327,141	₱6,298,271,025	**(₱3,077,423)**	**₱6,295,193,602**
Net loss	–	–	–	–	–	–	–	–	–	(21,504,598)	(21,504,598)	**(249,532)**	**(21,754,130)**
Other comprehensive income	–	–	–	–	1,886,921	1,258,960	–	–	3,145	–	3,149,026	**–**	**3,149,026**
Total comprehensive loss	–	–	–	–	1,886,921	1,258,960	–	–	3,145	(21,504,598)	(18,355,572)	**(249,532)**	**(18,605,104)**
Balance at September 30, 2023	₱3,087,829,443	₱386,916,479	**₱ –**	(₱10,833,137)	₱1,889,510	₱16,267,718	(₱46,104,556)	₱163,082	(₱35,629)	₱2,843,822,543	₱6,279,915,453	**(₱3,326,955)**	**₱6,276,588,498**

See accompanying Notes to the Unaudited Interim Condensed Consolidated Financial Statements

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STI EDUCATION SERVICES GROUP, INC.
(A Private Educational Institution)
AND SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2024 AND 2023

	Three months ended September 30	
	2024 (Unaudited)	2023 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income tax	**₱181,945,476**	(₱27,638,280)
Adjustments to reconcile income (loss) before income tax to net cash flows:		
Depreciation and amortization (Notes 10, 11, 21 and 23)	**122,369,737**	121,211,314
Interest expense (Notes 16 and 17)	**62,891,523**	67,711,519
Interest income (Notes 5 and 6)	**(8,341,391)**	(5,031,107)
Equity in net earnings of associates and joint venture (Note 12)	**(6,377,485)**	(3,049,853)
Movements in pension	**3,089,628**	3,145,770
Unrealized foreign exchange gain - net	**95,685**	(13,730,837)
Fair value (gain) loss on equity instruments at FVPL (Note 9)	**(1,007,500)**	1,395,000
Dividend income (Notes 9 and 13)	**(153,760)**	(151,590)
Gain on:		
Early extinguishment of loan (Note 16)	–	(3,076,465)
Sale of property and equipment (Note 10)	–	(14,391)
Operating income before working capital changes	**354,511,913**	140,771,080
Decrease in:		
Receivables	**55,438,315**	420,400,053
Inventories	**6,230,402**	5,078,422
Prepaid expenses and other current assets	**(15,297,950)**	4,365,016
Increase (decrease) in:		
Accounts payable and other current liabilities	**(40,902,592)**	(107,292,698)
Unearned tuition and other school fees	**373,991,696**	257,191,866
Other noncurrent liabilities	**264,369**	(73,720)
Net cash generated from operations	**734,236,153**	720,440,019
Interest received	**8,097,266**	5,031,107
Income tax paid	**(5,932,326)**	(376,536)
Net cash provided by operating activities	**736,401,093**	725,094,590
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Property and equipment (Note 10)	**(204,369,576)**	(60,974,840)
Proceeds from:		
Sale of shares held in an associate - net (Note 12)	**24,785,625**	–
Redemption of equity instruments at FVOCI (Note 13)	**–**	352,920
Sale of property and equipment (Note 10)	**–**	14,412
Investments in and advances to associates and affiliates	**(2,946,833)**	–
Payments for other noncurrent assets (Note 14)	**(3,594,673)**	(13,729,192)
Dividend received (Notes 9 and 13)	**153,760**	151,590
Net cash used in investing activities	**(185,971,697)**	(74,185,110)

(Forward)

	2024 (Unaudited)	2023 (Unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of:		
Long-term loans (Note 16)	**(₱270,000,000)**	(₱212,095,670)
Interests	**(99,255,371)**	(76,026,559)
Lease liabilities	**(32,115,420)**	(30,440,915)
Dividends	**(53,280)**	–
Net cash used in financing activities	**(401,424,071)**	(318,563,144)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(95,685)**	13,730,837
NET INCREASE IN CASH AND CASH EQUIVALENTS	**148,909,640**	346,077,173
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	**1,191,716,845**	1,571,737,633
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 5)	**₱1,340,626,485**	₱1,917,814,806

See accompanying Notes to the Unaudited Interim Condensed Consolidated Financial Statements.

STI EDUCATION SERVICES GROUP, INC.
(A Private Educational Institution)
AND SUBSIDIARIES
NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

a. General

STI Education Services Group, Inc. (STI ESG or the Parent Company) and its subsidiaries hereafter collectively referred to as the "Group") are all incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC). The Parent Company was incorporated on June 2, 1983 and is involved in establishing, maintaining, and operating educational institutions to provide pre-elementary, elementary, secondary, including Senior High School (SHS), and tertiary as well as post-graduate courses, post-secondary and lower tertiary non- degree programs.

The Group also develops, adopts and/or acquires, entirely or in part, such curricula or academic services as may be necessary in the pursuance of its main activities, relating but not limited to information technology services, information technology-enabled services, education, hotel and restaurant management, engineering, business studies, psychology and criminology.

The registered office address of the Parent Company is STI Academic Center Ortigas-Cainta, Ortigas Avenue Extension, Cainta, Rizal.

As at September 30, 2024 and June 30, 2024, the subsidiaries of the Parent Company, which are all incorporated in the Philippines, are as follows:

		Effective Percentage of Ownership			
		2024		2023	
Subsidiaries	**Principal Activities**	**Direct**	**Indirect**	Direct	Indirect
STI College Batangas, Inc. (STI Batangas)	Educational Institution	**100**	**–**	100	–
STI College of Kalookan, Inc. (STI Caloocan)[a]	Educational Institution	**100**	**–**	100	–
STI College Novaliches, Inc. (STI Novaliches)	Educational Institution	**100**	**–**	100	–
STI College of Santa Maria, Inc. (STI Sta. Maria)	Educational Institution	**100**	**–**	100	–
STI College Tanauan, Inc. (STI Tanauan)	Educational Institution	**100**	**–**	100	–
STI College Iloilo, Inc. (STI Iloilo)	Educational Institution	**100**	**–**	100	–
STI Lipa, Inc. (STI Lipa)	Educational Institution	**100**	**–**	100	–
STI College Pagadian, Inc. (STI Pagadian)	Educational Institution	**100**	**–**	100	–
STI Training Academy, Inc. (STI Training Academy)	Educational Institution	**100**	**–**	100	–
STI College Tuguegarao, Inc. (STI Tuguegarao)	Educational Institution	**100**	**–**	100	–
NAMEI Polytechnic Institute, Inc. (NAMEI)	Educational Institution	**94**	**–**	94	–
NAMEI Polytechnic Institute of Mandaluyong, Inc. (NPIM) [b]	Educational Institution	**100**	**–**	100	–
De Los Santos-STI College, Inc. (De Los Santos-STI College) [c]	Educational Institution	**100**	**–**	100	–
STI College Quezon Avenue, Inc. (STI Quezon Avenue) [d]	Educational Institution	**–**	**100**	–	100
STI Alabang	Educational Institution	**100**	**–**	100	–
Clinquant Holdings, Inc (CHI)[e]	Investment Company	**100**	**–**	**–**	**–**

[a] A subsidiary through a management contract
[b] NPIM ceased operations effective June 30, 2022.
[c] In June 2016, De Los Santos-STI College advised the Commission of Higher Education (CHED) of the suspension of its operations for SYs 2016-2017 and 2017-2018 as a result of the implementation of the Government's K to 12 program. De Los Santos-STI College became a wholly owned subsidiary of the Parent Company effective August 4, 2021. De Los Santos-STI College has not resumed its school operations as at November 19, 2024.
[d] A wholly owned subsidiary of De Los Santos-STI College.
[e] On June 20, 2024, STI ESG and Total Consolidated Asset Management, Inc. (TCAMI) executed a deed of absolute sale for STI ESG's acquisition of 100% of the total issued and outstanding capital stock of TCAMI's subsidiary, CHI. CHI became a wholly owned subsidiary as at June 30, 2024 (see Notes 10).

STI ESG is 98.66%-owned by STI Education Systems Holdings, Inc. (STI Holdings) which is the ultimate parent company of the Group. STI Holdings is a company incorporated in the Philippines and is listed on the Philippine Stock Exchange (PSE).

The Parent Company has investments in several entities which own and operate STI schools. STI schools may be operated either by: (a) the Parent Company; (b) its subsidiaries; or (c) independent entrepreneurs (referred to as "franchisees") under the terms of licensing agreements with the Parent Company. Some features of the licensing agreements are as follows:

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

a. Merger with several majority and wholly-owned subsidiaries

On December 9, 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 Commission on Higher Education (CHED) and the SEC on March 15, 2011 and May 6, 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 July 18, 2011 and August 31, 2011, respectively.
- Phase 3: On August 30, 2017, the SEC approved the application for merger of STI College Taft, Inc. (STI Taft) and STI College Dagupan, Inc. (STI Dagupan) with STI ESG as the surviving entity.

On September 25, 2013, STI ESG's Board of Directors (BOD) approved an amendment to the Phases 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 at November 19, 2024, the amendment is still pending approval by the SEC.

Also, STI ESG requested for confirmatory ruling on the tax-free mergers covered by Phases 1 and 3, from the Bureau of Internal Revenue (BIR). As a response to the request made for the Phases 1 and 3 mergers, the BIR informed STI ESG through letters dated November 25, 2022 and September 28, 2022, respectively, that Section 40 C.2 of the Tax Code, as amended by Republic Act (RA) No. 11534 or the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act, now mandates that for purposes of availing the tax exemption, prior BIR confirmatory ruling is no longer required. In this regard, the Parent Company applied for the issuance of the Certificates Authorizing Registration (CAR) for the tax-free transfers of real estate in exchange for shares pursuant to the provisions of Section 40. C.2 of the Tax Code. As at November 19, 2024, the Parent Company has not received the CARs from the BIR.

On August 5, 2022, CHED approved the transfer of school operations of STI College Quezon Avenue, Inc. (STI Quezon Avenue) to Tanay, Rizal subject to compliance with certain requirements. Earlier, in September 2020, STI Quezon Avenue announced the suspension of its operations. In September 2022, CHED granted STI Quezon Avenue government recognitions to offer Bachelor of Science (BS) in Business Administration, BS in Tourism Management and BS in Hospitality Management. The government recognition to offer BS in Information Technology was issued in October 2022. The government recognitions received in 2022 replaced the government recognitions issued by CHED in 2009 due to the transfer of location of STI Quezon Avenue from Quezon City to Tanay, Rizal. STI Quezon Avenue has resumed operations on its new site in Tanay, Rizal beginning SY 2022-2023. In a meeting held on November 29, 2022, the BOD of STI Quezon Avenue approved the amendments in its Articles of Incorporation and By-Laws as follows: (1) change of corporate name from "STI College Quezon Avenue, Inc." to "STI Colleges of Rizal, Inc.", (2) have perpetual existence, (3) change of fiscal year beginning July 1 of each year and ending on June 30 of the following year, among others. On November 12, 2024, the SEC approved the change of corporate name from "STI College Quezon Avenue, Inc." to "STI Colleges of Rizal, Inc.," along with the aforementioned amendments.

STI ESG's network of operating schools totals 63 schools, with 37 owned schools and 26 franchised schools, comprising 60 colleges and 3 education centers.

The establishment, operation, administration and management of schools are subject to the existing laws, rules and regulations, policies, and standards of DepEd, TESDA and CHED pursuant to Batas Pambansa Bilang 232, otherwise known as the "Education Act of 1982," RA No. 7796, otherwise known as the "TESDA Act of 1994," and RA No. 7722, otherwise known as the "Higher Education Act of 1994," respectively.

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

Basis of Preparation

The accompanying unaudited interim condensed consolidated financial statements have been prepared on a historical cost basis, except for equity instruments at FVOCI and equity instruments at FVPL which have been measured at fair value. The unaudited interim condensed consolidated financial statements are presented in Philippine Peso (₱), which is the Parent Company's functional and presentation currency, and all values are rounded to the nearest Peso, except when otherwise indicated.

Statement of Compliance

The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs). PFRS include statements named PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations based on equivalent interpretations from the International Financial Reporting Interpretations Committee (IFRIC) adopted by the Philippine Financial Reporting Standards Council (FRSC).

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new and amended standards effective July 1, 2024. The adoption of these new standards and amendments did not have any significant impact on the unaudited interim condensed consolidated financial statements except otherwise stated.

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*

  The amendments clarify:
  - That only covenants with which an entity must comply on or before reporting date will affect a liability's classification as current or non-current.
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right.
  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

  The amendments had no impact on the Group because the Group's accounting policies are aligned with the amendments to PAS 1.

- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*

  The amendments specify how a seller-lessee measures the lease liability arising in a sale and leaseback transaction in a way that it does not recognize any amount of the gain or loss that relates to the right of use retained.

  The Group has not entered into any sale and leaseback transactions.

- Amendments to PAS 7 and PFRS 7, *Disclosures: Supplier Finance Arrangements*
  The amendments aim to improve transparency around supplier finance arrangements, helping users of financial statements better understand their nature, timing, and financial effects.

  The amendments require disclosures that provide information on the following, among others:
  - The terms and conditions of supplier finance arrangements.
  - The impact these arrangements have on an entity's working capital, liquidity risk, and financial position.
  - Changes in liabilities arising from supplier finance arrangements as part of the reconciliation of cash flows from financing activities

  The Group has not entered into any supplier finance arrangements.

  Entities need to implement these amendments according to the effective date stipulated by the FRSC, with considerations for any specific transition requirements.

Standards Issued but not yet Effective

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

Effective for Fiscal Year 2026

- PFRS 17, *Insurance Contracts*

- Amendments to PAS 21, *Lack of exchangeability*

Deferred effectivity

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

The Group has not early adopted the previously mentioned standards. The Group continues to assess the impact of the above new, amended and improved accounting standards and interpretations that are effective subsequent to September 30, 2024 on its unaudited interim condensed consolidated financial statements in the period of initial application. Additional disclosures required by these amendments will be included in the unaudited interim condensed consolidated financial statements when these amendments are adopted.

3. Seasonality of Operations

The Group's business is linked to the academic cycle which spans one academic year. The academic cycle for SY 2023-2024 began on August 29, 2023 and ended in June 2024. For SY 2024-2025, the academic year started on August 12, 2024 with all levels concluding in June 2025. Classes for both years were all conducted face-to-face.

The revenues of the Group, which are mainly from tuition and other school fees, are recognized as income over the corresponding academic year to which they pertain. Accordingly, the revenue of the Group is expected to be lower during the first quarter of the fiscal year compared to the other quarters if the number of enrollees remains constant. This information is provided to allow for a proper appreciation of the results of operations of the Group. However, management has concluded that the Group's operation is not highly seasonal.

The Group remains committed to ensuring adherence to the guidelines set by the Inter-Agency Task Force for the Management of Emerging Infectious Diseases (IATF), CHED, DepEd, local government units (LGUs), and all pertinent agencies that have released information on the conduct of the limited face-to-face classes.

4. Segment Information

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

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

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

On an unaudited interim condensed consolidated basis, the Group's performance is evaluated based on consolidated net income (loss) and EBITDA. EBITDA is defined as earnings before interest expense, interest income, provision for (benefit from) income tax, depreciation and amortization, equity in net

losses (earnings) of associates and joint venture, loss (gain) on foreign exchange differences, fair value loss (gain) on equity instruments at FVPL, and nonrecurring gains such as gain on early extinguishment of loan, gain on disposal of shares held in an associate, and gain on termination of lease. Depreciation and interest expense for purposes of this computation exclude those related to ROU assets and lease liabilities, respectively.

The following table shows the reconciliation of the consolidated net income (loss) to consolidated EBITDA:

	September 30, 2024 (Unaudited)	September 30, 2023 (Unaudited)
Consolidated net income (loss)	**₱164,720,492**	(₱21,754,130)
Depreciation and amortization[1]	**105,879,599**	104,780,303
Interest expense[1]	**56,909,772**	62,239,666
Provision for (benefit) from income tax	**17,224,984**	(5,884,150)
Interest income	**(8,341,391)**	(5,031,107)
Equity in net earnings of associates and joint venture	**(6,377,485)**	(3,049,853)
Foreign exchange loss (gain) – net	**5,765,517**	(13,731,097)
Gain on disposal of shares held in an associate[2]	**(3,161,208)**	–
Gain on termination of lease[2]	**(1,575,650)**	–
Fair value loss (gain) on equity instruments at FVPL	**(1,007,500)**	1,395,000
Unrealized gain on short term investment[2]	**(544,653)**	–
Gain on early extinguishment of loan	–	(3,076,465)
Consolidated EBITDA	**₱329,492,477**	₱115,888,167

[1]*Depreciation and interest expense exclude those related to ROU assets and lease liabilities, respectively.*
[2]*Reported as part of "Other income".*

Inter-Segment Transactions

Segment revenue, segment expenses and operating results include transfers among geographical segments. The transfers are accounted for at market prices charged to unrelated customers for similar services. Such transfers are eliminated upon consolidation.

Geographical Segment Data

The following tables present revenue and income information regarding geographical segments for the three-month periods ended September 30, 2024 and 2023:

	For the three-month period ended September 30, 2024 (Unaudited)					
	Metro Manila	**Northern Luzon**	**Southern Luzon**	**Visayas**	**Mindanao**	**Consolidated**
Revenues						
External revenue	**₱460,867,502**	**₱53,556,308**	**₱227,368,093**	**₱15,298,397**	**₱15,505,977**	**₱772,596,277**
Results						
Income before other income (expenses) and income tax	**94,000,568**	**13,783,168**	**86,505,329**	**1,864,689**	**2,070,699**	**198,224,453**
Equity in net earnings of associates and joint venture	**6,377,485**	**–**	**–**	**–**	**–**	**6,377,485**
Interest expense	**(58,950,576)**	**(1,572,072)**	**(1,599,269)**	**(270,183)**	**(499,423)**	**(62,891,523)**
Interest income	**7,291,710**	**7,580**	**1,037,262**	**3,238**	**1,601**	**8,341,391**
Other income[(a)]	**28,221,627**	**1,803,264**	**1,626,556**	**128,215**	**114,008**	**31,893,670**
Benefit from (provision for) income tax	**(17,214,047)**	**(554,505)**	**543,568**	**–**	**–**	**(17,224,984)**
Net Income	**₱59,726,767**	**₱13,467,435**	**₱88,113,446**	**₱1,725,959**	**₱1,686,885**	**₱164,720,492**
EBITDA						**₱329,492,477**

	For the three-month period ended September 30, 2023 (Unaudited)					
	Metro Manila	Northern Luzon	Southern Luzon	Visayas	Mindanao	Consolidated
Revenues						
External revenue	₱302,883,843	₱34,606,891	₱126,415,357	₱4,350,428	₱11,906,595	₱480,163,114
Results						
Income (loss) before other income (expenses) and income tax	(52,148,572)	(4,472,051)	48,425,499	(1,814,532)	(3,330,112)	(13,339,768)
Equity in net earnings of associates and joint venture	3,049,853	–	–	–	–	3,049,853
Interest expense	(64,169,706)	(945,671)	(1,603,983)	(361,708)	(630,451)	(67,711,519)
Interest income	5,025,436	179	5,483	–	9	5,031,107
Other income[(a)]	44,211,087	119,320	866,295	35,045	100,300	45,332,047
Benefit from income tax	3,268,025	889,798	1,726,327	–	–	5,884,150
Net Income (Loss)	(₱60,763,877)	(₱4,408,425)	₱49,419,621	(₱2,141,195)	(₱3,860,254)	(₱21,754,130)
EBITDA						₱115,888,167

(a) *Other income excludes equity in net earnings of associates and joint venture, interest expense and interest income*

The following tables present certain assets and liabilities information regarding geographical segments as at September 30, 2024 and June 30, 2024.

	As at September 30, 2024 (Unaudited)					
	Metro Manila	**Northern Luzon**	**Southern Luzon**	**Visayas**	**Mindanao**	**Consolidated**
Assets and Liabilities						
Segment assets[(a)]	**₱8,694,358,464**	**₱822,293,828**	**₱2,388,460,679**	**₱156,178,303**	**₱109,523,765**	**₱12,170,815,039**
Goodwill (see Note 14)	**236,629,190**	**–**	**–**	**–**	**–**	**236,629,190**
Investments in and advances to associates and joint venture (see Note 12)	**480,805,763**	**–**	**–**	**–**	**–**	**480,805,763**
Deferred tax assets - net	**44,128,339**	**3,913,645**	**14,517,912**	**690,949**	**1,296,597**	**64,547,442**
Total Assets	**₱9,455,921,756**	**₱826,207,473**	**₱2,402,978,591**	**₱156,869,252**	**₱110,820,362**	**₱12,952,797,434**
Segment liabilities[(b)]	**₱1,481,500,055**	**₱204,999,054**	**₱899,622,010**	**₱52,543,930**	**₱66,526,087**	**₱2,705,191,136**
Interest-bearing loans and borrowings (see Note 16)	**1,817,043,033**	**–**	**–**	**–**	**–**	**1,817,043,033**
Bonds payable (see Note 17)	**815,391,255**	**–**	**–**	**–**	**–**	**815,391,255**
Pension liabilities	**22,528,456**	**6,114,359**	**14,191,588**	**1,666,296**	**1,486,944**	**45,987,643**
Lease liabilities	**111,682,403**	**52,218,357**	**96,193,198**	**17,028,505**	**26,188,288**	**303,310,751**
Total Liabilities	**₱4,248,145,202**	**₱263,331,770**	**₱1,010,006,796**	**₱71,238,731**	**₱94,201,319**	**₱5,686,923,818**
Other Segment Information						
Capital expenditures for property and equipment						**₱399,618,629**
Depreciation and amortization[(c)]						**105,879,599**
Noncash expenses other than depreciation and amortization						**55,389,353**

	As at June 30, 2024 (Audited)					
	Metro Manila	Northern Luzon	Southern Luzon	Visayas	Mindanao	Consolidated
Assets and Liabilities						
Segment assets[(a)]	₱7,794,234,323	₱682,262,822	₱1,792,286,647	₱113,698,314	₱71,579,918	₱10,454,062,024
Goodwill (see Note 14)	236,629,190	–	–	–	–	236,629,190
Investments in and advances to associates and joint venture (see Note 12)	496,276,072	–	–	–	–	496,276,072
Deferred tax assets - net	16,642,597	2,797,372	12,557,491	690,949	1,296,597	33,985,006
Total Assets	₱8,543,782,182	₱685,060,194	₱1,804,844,138	₱114,389,263	₱72,876,515	₱11,220,952,292
Segment liabilities[(b)]	₱595,636,209	₱57,008,678	₱251,954,267	₱11,789,034	₱25,101,760	₱941,489,948
Interest-bearing loans and borrowings (see Note 16)	2,086,114,412	–	–	–	–	2,086,114,412
Bonds payable (see Note 17)	814,967,275	–	–	–	–	814,967,275
Pension liabilities	44,008,750	5,921,760	13,681,541	1,616,515	1,430,678	66,659,244
Lease liabilities	122,808,579	42,466,080	101,690,258	18,828,574	29,240,581	315,034,072
Total Liabilities	₱3,663,535,225	₱105,396,518	₱367,326,066	₱32,234,123	₱55,773,019	₱4,224,264,951
Other Segment Information						
Capital expenditures for property and equipment						643,537,486
Depreciation and amortization[(c)]						419,986,229
Noncash expenses other than depreciation and amortization						76,190,964

[(a)] *Segment assets exclude goodwill, investments in and advances to associates and joint venture and net deferred tax assets*
[(b)] *Segment liabilities exclude interest bearing loans and borrowings, bonds payable, pension liabilities and lease liabilities*
[(c)] *Depreciation and amortization exclude those related to ROU assets*

5. Cash and Cash Equivalents

This account consists of:

	September 30, 2024 (Unaudited)	June 30, 2024 (Audited)
Cash on hand and in banks	**₱815,511,090**	₱860,566,343
Cash equivalents	**525,115,395**	331,150,502
	₱1,340,626,485	₱1,191,716,845

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

Interest earned from cash in banks and cash equivalents amounted to ₱5.6 million and ₱3.5 million for the three-month periods ended September 30, 2024 and 2023, respectively.

6. Receivables

This account consists of:

	September 30, 2024 (Unaudited)	June 30, 2024 (Audited)
Tuition and other school fees	**₱1,650,846,693**	₱347,101,878
Educational services and sale of educational materials and supplies (see Note 24)	**103,041,934**	61,260,086
Rent, utilities, and other related receivables	**46,856,434**	48,762,757
Receivables from officers and employees (see Note 24)	**25,747,509**	25,125,248
Others	**21,769,807**	20,565,060
	1,848,262,377	502,815,029
Less allowance for expected credit losses	**207,882,720**	155,582,995
	₱1,640,379,657	₱347,232,034

The terms and conditions of the receivables are as follows:

a. Tuition and other school fees include receivables from students, DepEd, CHED, and Development Bank of the Philippines (DBP).

   On March 17, 2021, STI ESG executed a Memorandum of Agreement (MOA) with DBP for the implementation of the DBP Resources for Inclusive and Sustainable Education Program (DBP RISE). The program grants financial assistance to deserving students from the ranks of underprivileged Filipino families who aspire to pursue studies in DBP-accredited public and private tertiary schools. DBP RISE covers (1) the total cost of tuition fees for all year levels of the entire course or program based on the partner school's tuition fees structure which is determined at the beginning of the first term of the course or program starting SY 2020-2021, and (2) student support fund which covers other school fees, miscellaneous fees, and living allowance that will be determined and set by DBP. STI ESG and DBP executed a similar MOA in November 2021 and May 2023 covering the implementation of DBP RISE for deserving students enrolled beginning SY 2021-2022, SY 2022-2023 and SY 2023-2024. Receivables from DBP amounted to ₱1.7 million and ₱2.2 million as at September 30, 2024 and June 30, 2024, respectively.

These receivables are non-interest-bearing. Receivables from students are normally collected on or before the date of major examinations while receivables from DepEd, CHED and DBP are expected to be collected in full within the school year.

b. Educational services receivables pertain to receivables from franchisees and other affiliates arising from educational services, royalty fees, and other charges. These receivables are generally noninterest-bearing and are normally collected within 30 days. Interest is charged on past due accounts.

   Interest earned from past due accounts amounted to ₱2.7 million and ₱1.5 million for the three-month periods ended September 30, 2024 and 2023, respectively.

c. Rent, utilities, and other related receivables are expected to be collected within the fiscal year.

d. Receivables from officers and employees substantially represent advances for official business expenses which are necessary and reasonable to carry out the operations of head office and the schools. These advances are normally liquidated within one month from the date the advances are obtained (see Note 24).

e. Others mainly include receivables from a former franchisee, vendors of STI ESG and Social Security System amounting to ₱1.4 million, ₱6.8 million, and ₱7.2 million, respectively, as at September 30, 2024 and amounting to ₱1.3 million, ₱6.5 million, and ₱7.1 million, respectively, as at June 30, 2024. These receivables are expected to be collected within the fiscal year.

Recovery of accounts pertaining to tuition and other school fees which were previously written off amounted to ₱4.0 million and ₱1.8 million for the three-month periods ended September 30, 2024 and 2023, respectively.

7. Inventories

This account consists of:

	September 30, 2024 (Unaudited)	June 30, 2024 (Audited)
At cost:		
Educational materials:		
Uniforms	**₱108,182,354**	₱112,263,734
Textbooks and other education-related materials	**7,572,925**	7,250,240
	115,755,279	119,513,974
Promotional materials:		
Proware materials	**17,716,491**	19,100,179
Marketing materials	**2,438,200**	1,199,015
	20,154,691	20,299,194
School materials and supplies	**5,280,897**	7,608,101
	₱141,190,867	₱147,421,269

Inventories recognized as obsolete, substantially composed of old tertiary uniforms and textbooks, are fully provided with allowance for inventory obsolescence. Accordingly, the carrying value of these inventories at net realizable value is nil as at September 30, 2024 and June 30, 2024. Allowance for inventory obsolescence amounted to ₱25.1 million as at September 30, 2024 and June 30, 2024. No provision was recognized for the three-month periods ended September 30, 2024 and 2023.

Inventories charged to cost of educational materials and supplies sold amounted to ₱46.4 million and ₱47.8 million for the three-month periods ended September 30, 2024 and 2023, respectively (see Note 22).

8. Prepaid Expenses and Other Current Assets

This account consists of:

	September 30, 2024 (Unaudited)	June 30, 2024 (Audited)
Input VAT - net	**₱47,183,805**	₱49,124,164
Prepaid insurance	**17,776,071**	1,044,188
Prepaid taxes	**12,187,694**	18,166,248
Prepaid subscriptions and licenses	**11,930,113**	14,745,516
Advances to suppliers	**9,169,427**	13,317,682
Software maintenance cost	**648,946**	984,218
Others	**9,787,475**	1,408,970
	₱108,683,531	₱98,790,986

Net input VAT represents the remaining balance after application against output VAT and is recoverable in future periods. The balance of this account is primarily attributed to input VAT amounting to ₱24.7 million which was recognized from the acquisition of a parcel of land located at South Park District, Alabang, Muntinlupa City (see Note 10). This account also includes input VAT recognized on the purchase of other goods and services during the three-month period ended September 30, 2024.

Prepaid insurance primarily represents fire insurance coverage on buildings, including equipment and furniture, money, securities and payroll insurance, fidelity insurance, and health and accident insurance coverage for employees. These prepaid insurance premiums were paid in advance and are recognized as expense over the period of coverage which is normally within the fiscal year.

Prepaid taxes primarily pertain to creditable withholding taxes, and prepayments for business and real property taxes. Prepayments for business and real property taxes are recognized as expenses over the applicable period, typically within 12 months ending December of every year. Excess prior year credits as at June 30, 2024 and creditable withholding taxes accumulated during the first quarter of FY 2024-2025 were applied against income tax due for the three-month period ended September 30, 2024.

Prepaid subscriptions and licenses substantially pertain to Microsoft license, Adobe Acrobat, and eLMS subscriptions which were paid in advance in preparation for the succeeding school year. The balance as at September 30, 2024 includes prepayment for e-books subscription across various fields such as business, education, healthcare, engineering, and more. This subscription ensures that the schools within the STI network meet CHED's requirements for libraries and academic resources to maintain high standards in instruction, research, and student support. These subscriptions are normally renewed annually and are recognized as expense in accordance with the terms of the respective agreements.

Advances to suppliers primarily relate to prepayments for the procurement of students' school uniforms and advance payments for ongoing repair works in various schools owned and operated by STI ESG. The balance as at June 30, 2024 likewise includes advances for expenses related to commencement exercises for SY2023-2024.

Software maintenance costs substantially pertain to the annual support and maintenance charges for the use of STI ESG's accounting system. These software maintenance costs are recognized as expense over time in accordance with the terms of the respective agreements.

Other prepaid expenses as at September 30, 2024 substantially refer to prepayments for the tickets and venue rental for the National Talent Search competition for the entire network. The balance as at June 30, 2024 mainly includes advance payments made for the use of a recruitment platform, club membership fees, association dues, and annual monitoring fee for STI ESG's bond issue.

9. Equity Instruments at Fair Value through Profit or Loss (FVPL)

Equity instruments at FVPL represents the Group's investment in quoted equity shares of RL Commercial REIT, Inc. (RCR) held for trading amounting to ₱9.1 million and ₱8.1 million as at September 30, 2024 and June 30, 2024, respectively.

STI ESG acquired quoted equity shares of RCR amounting to ₱10.0 million for 1,550,000 shares at ₱6.45 per share in 2021. STI ESG recognized fair value gain on equity instruments at FVPL amounting to ₱1.0 million for the three months ended September 30, 2024 and fair value loss of ₱1.4 million for the three-month periods ended September 30, 2023.

STI ESG recognized dividend income from RCR amounting to ₱0.2 million for the three-month periods ended September 30, 2024 and 2023.

10. Property and Equipment

The rollforward analyses of this account are as follows:

	September 30, 2024													
	Land	**Buildings**	**Office and School Equipment**	**Office Furniture and Fixtures**	**Leasehold Improvements**	**Transportation Equipment**	**Computer Equipment and Peripherals**	**Library Holdings**	**Renewable energy equipment**	**Construction in progress**	**Right-of-use Asset -Land**	**Right-of-use Asset - Building**	**Right-of-use Asset - Transportation Equipment**	**Total**
Cost, Net of Accumulated Depreciation and Amortization														
Balance at beginning of period	**₱2,492,031,676**	**₱4,358,612,598**	**₱91,355,509**	**₱27,851,333**	**₱13,461,185**	**₱3,382,861**	**₱56,417,937**	**₱9,916,121**	**₱9,244,638**	**₱236,931,831**	**₱106,374,068**	**₱134,466,916**	**₱8,598,899**	**₱7,548,645,572**
Additions	**213,310,625**	**1,319,730**	**11,119,078**	**13,572,233**	**–**	**2,060,001**	**11,886,314**	**74,865**	**687,840**	**145,587,943**	**–**	**28,217,516**	**81,602**	**427,917,747**
Reclassification	**–**	**108,167,809**	**1,598,320**	**–**	**–**	**–**	**–**	**–**	**15,842,160**	**(125,608,289)**	**–**	**–**	**–**	**–**
Disposal	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(13,888,769)**	**–**	**(13,888,769)**
Depreciation and amortization (see Notes 21 and 23)	**–**	**(75,179,156)**	**(7,730,016)**	**(2,694,761)**	**(2,450,876)**	**(306,422)**	**(8,884,044)**	**(501,740)**	**(999,900)**	**–**	**(2,019,875)**	**(12,644,575)**	**(1,825,688)**	**(115,237,053)**
Balance at end of period	**₱2,705,342,301**	**₱4,392,920,981**	**₱96,342,891**	**₱38,728,805**	**₱11,010,309**	**₱5,136,440**	**₱59,420,207**	**₱9,489,246**	**₱24,774,738**	**₱256,911,485**	**₱104,354,193**	**₱136,151,088**	**₱6,854,813**	**₱7,847,437,497**
At September 30, 2024														
Cost	**₱2,705,342,301**	**₱6,795,046,251**	**₱816,305,076**	**₱351,721,379**	**₱ 208,305,499**	**₱ 14,319,518**	**₱475,924,535**	**₱ 133,713,426**	**₱27,084,666**	**₱256,911,485**	**₱148,107,223**	**₱285,944,927**	**₱58,520,246**	**12,277,246,532**
Accumulated depreciation and amortization	**–**	**(2,402,125,270)**	**(719,962,185)**	**(312,992,574)**	**(197,295,190)**	**(9,183,078)**	**(416,504,328)**	**(124,224,180)**	**(2,309,928)**	**–**	**(43,753,030)**	**(149,793,839)**	**(51,665,433)**	**(4,429,809,035)**
Net book value	**₱ 2,705,342,301**	**₱4,392,920,981**	**₱96,342,891**	**₱38,728,805**	**₱ 11,010,309**	**₱ 5,136,440**	**₱ 59,420,207**	**₱ 9,489,246**	**₱24,774,738**	**₱256,911,485**	**₱104,354,193**	**₱136,151,088**	**₱6,854,813**	**7,847,437,497**

	June 30, 2024													
	Land	Buildings	Office and School Equipment	Office Furniture and Fixtures	Leasehold Improvements	Transportation Equipment	Computer Equipment and Peripherals	Library Holdings	Renewable energy equipment	Construction-in-Progress	Right-of-use Asset - Land	Right-of-use Asset - Building	Right-of-use Asset - Transportation Equipment	Total
Cost, Net of Accumulated Depreciation and Amortization														
Balance at beginning of period	₱2,496,599,185	₱4,494,444,742	₱110,214,053	₱27,679,382	₱13,734,407	₱1,453,695	₱42,424,554	₱12,076,809	₱-	₱35,995,589	₱114,453,562	₱143,839,829	₱12,749,082	₱7,505,664,889
Additions	182,873,095	116,782,420	29,495,843	14,735,296	10,168,642	2,427,000	44,505,257	517,679	10,554,665	231,477,589	–	38,590,106	5,080,982	687,208,574
Disposal	–	–	(23,416)	(36)	–	–	(129)	–	–	–	–	–	–	(23,581)
Reclassification	–	30,541,347	–	–	–	–	–	–	–	(30,541,347)	–	–	–	–
Reclassification to investment properties (see Note 11)	(187,440,604)	–	–	–	–	–	–	–	–	–	–	–	–	(187,440,604)
Depreciation and amortization (see Notes 21 and 23)	–	(283,155,911)	(48,330,971)	(14,563,309)	(10,441,864)	(497,834)	(30,511,745)	(2,678,367)	(1,310,027)	–	(8,079,494)	(47,963,019)	(9,231,165)	(456,763,706)
Balance at end of period	₱2,492,031,676	₱4,358,612,598	₱91,355,509	₱27,851,333	₱13,461,185	₱3,382,861	₱56,417,937	₱9,916,121	₱9,244,638	₱236,931,831	₱106,374,068	₱134,466,916	₱8,598,899	₱7,548,645,572
At June 30, 2024														
Cost	₱2,492,031,676	₱6,685,558,712	₱803,587,678	₱338,149,146	₱208,972,459	₱12,259,517	₱464,038,221	₱133,638,561	₱10,554,666	₱236,931,831	₱148,107,223	₱279,564,030	₱59,287,044	₱11,872,680,764
Accumulated depreciation and amortization	–	(2,326,946,114)	(712,232,169)	(310,297,813)	(195,511,274)	(8,876,656)	(407,620,284)	(123,722,440)	(1,310,028)	–	(41,733,155)	(145,097,114)	(50,688,145)	(4,324,035,192)
Net book value	₱2,492,031,676	₱4,358,612,598	₱91,355,509	₱27,851,333	₱13,461,185	₱3,382,861	₱56,417,937	₱9,916,121	₱9,244,638	₱236,931,831	₱106,374,068	₱134,466,916	₱8,598,899	₱7,548,645,572

The cost of fully depreciated property and equipment still used by the Group amounted to ₱1,779.2 million and ₱1,649.3 million as at September 30, 2024 and June 30, 2024, respectively. There were no idle properties and equipment as at September 30, 2024 and June 30, 2024.

Additions

Land Acquired via Deed of Sale on Installments. On June 10, 2024, STI ESG and Avida Land Corp. (Avida) executed a contract to sell for STI ESG's acquisition of a parcel of land with a total area of 3,266 square meters, located at South Park District, Alabang, Muntinlupa City, for a total purchase price of ₱228.8 million, inclusive of taxes. The purchase price is payable in three installments: (i) the amount of ₱45.1 million, inclusive of ₱24.7 million VAT, was settled on June 10, 2024 (ii) the amount of ₱81.6 million shall be paid by STI ESG upon the execution of the Deed of Sale on Installments (the "Deed"); and (iii) the amount of ₱102.1 million shall be paid by STI ESG on the 16th month after the execution of the Deed.

On September 30, 2024, STI ESG and Avida executed the Deed. On the same date, STI ESG settled the second installment amounting to ₱81.6 million. STI ESG likewise paid ₱9.2 million for taxes and other charges related to the sale. In view of this, STI ESG recognized this acquisition as "Land" under "Property and Equipment" as at September 30, 2024. The related deposits for the asset acquisition were applied to the total purchase price, and STI ESG recognized the liability amounting to ₱102.1 million as a "Other Noncurrent Liability" (see Note 18).

STI ESG is entitled to physical possession and control over the lot upon execution of the Deed. Similarly, the Deed also provided that STI ESG should start the construction within two years from its execution. This lot will be the future site of the new STI Academic Center Alabang (see Notes 14 and 18).

Land Acquired through Acquisition of Shares. On June 20, 2024, STI ESG and TCAMI, a related party, executed a Deed of Absolute Sale for the acquisition of 76.0 million common shares, with a par value of ₱1.0, representing 100% of the total issued and outstanding capital stock of CHI, for ₱180.0 million. CHI is the registered and beneficial owner of a 10,000-square-meter parcel of land located on President Jose P. Laurel Highway, Barangay Darasa, Tanauan City, Batangas. This property will be the future site of STI Academic Center Tanauan. The land was valued at ₱182.9 million, following the allocation of the acquisition cost to other identifiable assets and liabilities of CHI which had a net liability carrying amount of ₱2.9 million.

Solar Project. STI ESG conducted roof deck waterproofing activities and installed solar panels at its head office building located in the STI Ortigas-Cainta campus during the fiscal year ended June 30, 2024. These solar panels have a total capacity of 212 kilowatts and have yielded cost savings for both administrative and school energy consumption. The associated contract cost for the solar panel project is ₱10.6 million, while the roof deck waterproofing activities have a total project cost of ₱6.1 million. These projects were completed in November 2023.

As at September 30, 2024, the Group likewise have completed the solar panel installation projects in several schools owned and operated by STI ESG namely: STI Pasay-EDSA, STI Novaliches, STI Las Piñas, and STI Sta. Mesa. These projects, expected to generate an aggregate 402 kilowatts of electricity, have a combined cost of ₱18.5 million.

Renovation and rehabilitation projects. STI ESG has undertaken renovation works at its Tanay property. The initial phase, which addressed exterior facilities, has a total contract cost of ₱14.5 million and was completed in January 2024. The subsequent phase, which focused on interior improvements, has a total project cost of ₱14.6 million, and was completed in August 2024.

Property and Equipment under Construction.
As at September 30, 2024, the Group reported costs of construction-in-progress aggregating to ₱256.9 million mainly pertaining to (1) construction of the new building in STI Ortigas-Cainta campus, (2) class room expansion projects, and (3) construction of a three-storey building at STI Lipa.

The school building under construction at the STI Ortigas-Cainta campus has a total project cost of ₱217.3 million and is expected to accommodate an additional 4,500 students beginning SY 2024-2025. The first and second floors of the building were completed in September 2024 and are now being used for SY 2024-2025. The rest of the building is scheduled for completion by the end of January 2025.

The Group, in anticipation of a growing student population, has undertaken classroom expansion projects for several schools, namely, STI Las Piñas, STI Cubao, STI Sta Mesa, STI Caloocan, STI Lucena, STI San Jose del Monte, STI Global City, and STI Lipa. These expansion projects primarily involve the partitioning of vacant or multi-purpose areas with total investment of ₱117.6 million and are all, except for STI Lipa, expected to be fully completed by the end of November 2024. The classroom expansion project at STI Lipa is expected to be completed by the end of December 2024. These additional classrooms can accommodate approximately 10,000 students.

The design and construction of a three-storey building at STI Lipa has a total contract amount of ₱40.0 million, which includes all costs of materials, labor, tools, equipment, and incidental expenses to be incurred for the completion of the project. The construction of the new building at STI Lipa is expected to be completed by end of November 2024.

Collaterals
Transportation equipment, recognized as ROU assets, are pledged as security for the related lease liabilities as at September 30, 2024 and June 30, 2024. The net book value of these equipment amounted to ₱6.9 million and ₱8.6 million as at September 30, 2024 and June 30, 2024, respectively.

11. Investment Properties

The rollforward analyses of this account are as follows:

	September 30, 2024		
		Condominium	
	Land	Units	Total
Cost:			
Balance at beginning and end of period	**₱392,067,483**	**₱780,307,090**	**₱1,172,374,573**
Accumulated Depreciation:			
Balance at beginning of period	–	**335,601,702**	**335,601,702**
Depreciation (see Note 23)	–	**6,640,583**	**6,640,583**
Balance at end of period	–	**342,242,285**	**342,242,285**
Net book value	**₱392,067,483**	**₱438,064,805**	**₱830,132,288**

	June 30, 2024		
	Land	Condominium Units	Total
Cost:			
Balance at beginning of period	₱204,626,879	₱779,564,396	₱984,191,275
Additions	–	742,694	742,694
Reclassification from property and equipment (see Note 11)	187,440,604	–	187,440,604
Balance at end of period	392,067,483	780,307,090	1,172,374,573
Accumulated Depreciation:			
Balance at beginning of period	–	309,052,401	309,052,401
Depreciation (see Note 23)	–	26,549,301	26,549,301
Balance at end of period	–	335,601,702	335,601,702
Net book value	₱392,067,483	₱444,705,388	₱836,772,871

As at September 30, 2024 and June 30, 2024, investment properties primarily include condominium units of the Group which are held for office or commercial lease.

12. Investments in and Advances to Associates and Joint Venture

The details and movements of this account are as follows:

	September 30, 2024 (Unaudited)	June 30, 2024 (Audited)
Investments		
Acquisition costs	**₱549,760,826**	₱549,760,826
Disposal	**(21,838,792)**	–
Balance at end of period	**527,922,034**	549,760,826
Accumulated equity in net losses:		
Balance at beginning of period	**(52,098,533)**	(55,896,436)
Equity in net earnings of associates and joint venture	**6,377,485**	18,810,890
Dividends received	**–**	(15,012,987)
Balance at end of period	**(45,721,048)**	(52,098,533)
Accumulated share in associates' other comprehensive income:		
Balance at beginning of period	**264,119**	124,308
Remeasurement loss on pension liability	**–**	135,616
Unrealized fair value adjustment on equity instruments designated at FVOCI	**(9,002)**	4,195
Balance at end of period	**255,117**	264,119
	482,456,103	497,926,412
Less allowance for impairment loss	**1,650,340**	1,650,340
	480,805,763	496,276,072
Advances (see Note 24)	**48,134,540**	48,134,540
Less allowance for impairment loss	**48,134,540**	48,134,540
	–	–
	₱480,805,763	₱496,276,072

There is no movement in the allowance for impairment in value of investments in and advances to associates and joint ventures for the period ended September 30, 2024 and June 30, 2024. The carrying values of the Group's investments in and advances to associates and joint venture are as follows:

	September 30, 2024 (Unaudited)	June 30, 2024 (Audited)
Associates (see Note 24):		
STI Holdings	**₱458,056,721**	₱475,167,393
STI Accent*	**48,134,540**	48,134,540
GROW	**20,551,159**	18,814,679
Joint venture - PHEI	**3,848,223**	3,944,340
	530,590,643	546,060,952
Allowance for impairment loss	**(49,784,880)**	(49,784,880)
	₱480,805,763	₱496,276,072

**The share in equity of STI Accent for the period ended September 30, 2024 and year ended June 30, 2024 is not material to the unaudited interim condensed consolidated financial statements.*

13. Equity Instruments at Fair Value through Other Comprehensive Income (FVOCI)

This account consists of:

	September 30, 2024 (Unaudited)	June 30, 2024 (Audited)
Quoted equity shares	**₱9,664,240**	₱9,574,560
Unquoted equity shares	**66,452,669**	66,452,669
	₱76,116,909	₱76,027,229

b. Quoted Equity Shares

Quoted equity shares pertain to shares listed in the PSE, as well as traded club shares. These are carried at fair value with the cumulative changes in fair values presented as a separate component of equity under the "Unrealized fair value adjustment on equity instruments at FVOCI" account in the unaudited interim condensed consolidated statements of financial position. The fair values of these shares are based on the quoted market price as at the financial reporting date.

a. Unquoted Equity Shares

Unquoted equity shares pertain to shares that are not listed in a stock exchange.

STI ESG owns 57,971 shares of De Los Santos Medical Center, Inc. (DLSMC). The carrying value of the investment in DLSMC amounted to ₱32.3 million as at September 30, 2024 and June 30, 2024.

14. Goodwill, Intangible and Other Noncurrent Assets

This account consists of:

	September 30, 2024 (Unaudited)	June 30, 2024 (Audited)
Goodwill	**₱236,629,190**	₱236,629,190
Deposits for purchase of shares	**60,484,800**	60,484,800
Advances to suppliers	**58,757,519**	60,000,697
Intangible assets	**30,700,236**	31,192,337
Rental and utility deposits	**24,337,139**	24,404,273
Deposits for asset acquisition	**–**	20,412,500
Others	**2,823,111**	2,823,111
	₱413,731,995	₱435,946,908

Goodwill

As at September 30, 2024 and June 30, 2024, the Group's goodwill acquired through business combinations have been allocated to certain schools which are considered as separate CGUs. Management performs its impairment test at the end of each annual reporting period for all the CGUs. No impairment was recognized for the three-month periods ended September 30, 2024 and 2023.

Deposit for Purchase of Shares

On June 20, 2024, STI ESG and TCAMI executed a Share Purchase Agreement for STI ESG's acquisition of 190.0 million common shares with par value of ₱1.0 per share, representing 100% of the total issued and outstanding capital stock (Subject Shares) of TCAMI's wholly owned subsidiary, Phosphene Holdings, Inc. (PHI), for ₱403.2 million. A 15% deposit, equivalent to ₱60.5 million, has been paid upon the effective date of the Share Purchase Agreement. The remaining balance of ₱342.7 million is due on the third anniversary of the Share Purchase Agreement.

The agreement grants STI ESG the right to cancel the purchase of the Subject Shares at any time within the three-year period. If STI ESG opts to cancel, PHI shall refund the deposit within thirty (30) days from receipt of the written notice of cancellation. The transfer of the shares shall take place on the third anniversary of the Share Purchase Agreement's effective date or at an earlier date mutually agreed upon by the Parties.

PHI owns a 25,202-square-meter parcel of land located at President Jose P. Laurel Highway, Barangay Darasa, Tanauan City, Batangas. This property is adjacent to the 10,000 sq.m. property owned by CHI (see Note 10).

Advances to Suppliers

Advances to suppliers as at September 30, 2024 relate substantially to advance payments made for various transactions, including the (1) construction of the new school building at STI Ortigas-Cainta, (2) learning classroom expansion projects, (3) acquisition of equipment and furniture, and (4) various major renovation and rehabilitation projects in some schools owned and operated by STI ESG. The related costs of these projects will be recognized as "Property and equipment" when the goods are received, or the services are completely rendered.

Advances to suppliers as at June 30, 2024 relate substantially to advance payments made for various transactions, including the (1) construction of the new school building at STI Ortigas-Cainta, (2) learning classroom expansion projects in various schools owned and operated by STI ESG (3) acquisition of equipment and furniture, (4) various ongoing major renovation and rehabilitation projects, and (5) design and set-up of the new enrollment system.
Most of the aforementioned projects, including the first and second floors of the new school building

at STI Ortigas-Cainta campus, were completed in September 2024. The remaining sections of the new building at STI Ortigas-Cainta are expected to be completed by the end of January 2025. The design and set-up of STI ESG's new enrollment system remain ongoing as at November 19, 2024. The related costs for the projects were recognized as "Property and equipment" when the goods were received, or the services were completely rendered. The related costs for the construction of the remaining sections and other capital expenditures for the new school building at STI Ortigas-Cainta will be recognized as "Property and equipment" when the goods are received, or the services are completely rendered while the related cost for the new enrollment system will be recognized as "Intangible assets" upon completion of the project.

Intangible Assets

Intangible assets substantially pertain to the license to operate a maritime school which the Group identified as intangible assets for purposes of estimating the fair value of the net assets acquired. Such intangible assets with indefinite useful life representing the fair value of the license and agreements amounted to ₱27.6 million as at September 30, 2024 and June 30, 2024.

Rental and Utility Deposits

This account includes security deposits paid to utility companies and for school and office space rentals in accordance with the respective lease agreements.

Deposits for Asset Acquisition

In relation to the Deed of Sale on Installments executed by STI ESG and Avida in September 2024 and the settlement of the second installment amounting to ₱81.6 million, STI ESG applied the deposits made to the total purchase price, and recognized the acquisition as "Land" under the "Property and equipment" category and the related liability amounting to ₱102.1 million as a "Other Noncurrent Liability" (see Note 18).

15. Accounts Payable and Other Current Liabilities

This account consists of:

	September 30, 2024 (Unaudited)	June 30, 2024 (Audited)
Accounts payable (see Note 24)	**₱340,790,290**	₱328,455,254
Accrued expenses:		
Contracted services	**47,221,278**	37,376,939
School activities, programs and other related expenses	**43,827,441**	60,271,156
Salaries, wages and benefits	**43,784,977**	40,047,307
Utilities	**19,185,926**	17,794,644
Interest	**5,809,725**	49,507,925
Advertising and promotion	**2,225,600**	3,058,569
Rent	**515,965**	515,965
Others	**1,101,209**	829,914
Due to an affiliate (see Note 24)	**59,319,426**	59,511,839
Network events fund	**37,299,167**	25,393,943
Statutory payables	**26,515,789**	24,171,235
Student organization fund	**25,453,491**	24,876,697
Dividends payable (see Note 19)	**17,947,259**	18,000,539
Current portion of advance rent	**11,402,007**	11,181,883
Current portion of refundable deposits	**10,183,478**	8,418,007
Others	**5,617,824**	5,511,539
	₱698,200,852	₱714,923,355

The terms and conditions of the liabilities are as follows:

a. Accounts payable are noninterest-bearing and are normally settled within a 30 to 60-day term.

b. Due to an affiliate is noninterest-bearing and is expected to be settled within the fiscal year. Terms and conditions of payables to related parties are disclosed in Note 24 to the unaudited interim condensed consolidated financial statements.

c. Accrued expenses, network events fund, student organization fund, and other payables are expected to be settled within the fiscal year.

d. Statutory payables primarily include taxes and other payables to government agencies which are normally settled within 30 days.

e. Dividends payable pertain to dividends declared which are unclaimed as at report date and are due on demand.

f. Advance rent pertains to amount received by the Group which will be earned and applied within the fiscal year.

g. Refundable deposits pertain to security deposits received from existing lease agreements and are expected to be settled within the fiscal year.

16. Interest-bearing Loans and Borrowings

This account consists of:

	September 30, 2024 (Unaudited)	June 30, 2024 (Audited)
Term loans[(a)]	**₱1,817,043,033**	₱2,086,114,412
Less current portion	**536,228,000**	536,274,021
Noncurrent portion	**₱1,280,815,033**	₱1,549,840,391

[(a)]Net of unamortized debt issuance costs of ₱13.0 million and ₱13.9 million as at September 30, 2024 and June 30, 2024, respectively.

Term Loan Agreement with Bank of the Philippine Islands (BPI)

On March 7, 2024, STI ESG and BPI entered into a five-year term loan agreement providing for a credit facility of up to the amount of ₱1,000.0 million. The credit facility is unsecured and is available and ending on the earliest of (i) December 31, 2024 (ii) the date the total facility is fully drawn by STI ESG, and (iii) the date the total facility is terminated or cancelled in accordance with the terms of the Term Loan Agreement. The proceeds of this loan could be used to (i) partially refinance STI ESG's bonds due in March 2024 (ii) finance the campus expansion projects, and (iii) and for other general corporate requirements.

On March 18, 2024, STI ESG availed a ₱500.0 million loan from this facility at an interest rate of 8.4211% per annum. The proceeds from this loan were used to partially finance the 7-year bonds which were redeemed in full upon maturity on March 23, 2024.

Principal repayments are to be made in ten (10) equal installments based on a semi-annual amortization schedule which commences six (6) months from the date of initial borrowing until the maturity date. Each such installment shall be paid by STI ESG on a repayment date occurring semi-annually from the date of initial borrowing until the maturity date. Interest and principal payment for the succeeding borrowings is to be adjusted to coincide with that of the initial borrowing.

STI ESG has elected to fix the interest on each drawdown on semi-annual basis equivalent to higher of (i) the base rate-floating plus margin; and (ii) the applicable Bangko Sentral ng Pilipinas (BSP) Target Reverse Repurchase Rate (TRRP) plus margin, payable and repriceable semi-annually. Base Rate means the PHP Bloomberg Valuation (BVAL) or PHP BVAL Reference Rates (or in the event of its elimination or discontinuance, its replacement as may be determined by the Bankers' Association of the Philippines (BAP) or BSP, as displayed on Bloomberg (or such applicable platform) at approximately 5:00 PM on the relevant Interest Rate Setting Date or Interest Rate Repricing Date. BSP TRRP means the monetary policy interest rate of the BSP as published daily in the BSP website. On May 10, 2024, BPI agreed to STI ESG's request to amend the Term Loan Agreement with respect to the basis of floating interest rate at each drawdown equivalent to the higher of (i) the base rate-floating plus margin; and (ii) the applicable BSP TRRP plus 50 basis points, payable and repriceable semi-annually. The amendment to the Term Loan Agreement was executed on May 17, 2024. The amendment provides that the basis of the floating interest rate will take effect on the next drawdown or on the next repricing date, whichever comes first.

Interest Period commences on the date of the Borrowing and has a duration of six (6) months with each six (6)-month period thereafter commencing upon the expiry of the immediately preceding Interest Period; provided that, in case of multiple Borrowings, for each Borrowing subsequent to the initial Borrowing, the first Interest Period for that subsequent Borrowing shall commence on the date of such Borrowing and shall end on the last day of the current Interest Period for the initial Borrowing as established above in order to synchronize the interest periods of all Borrowings. Interest Rate Setting Date means, two (2) Business Days prior to each Borrowing Date or, if that is not a Business Day, on the immediately preceding Business Day. Interest Rate Repricing Date shall mean two (2) Business Days prior to each semi-annual date coinciding with the Interest Payment Date. Interest rate for the Term Loan Facility with BPI was repriced at the rate of 7.8735% per annum effective September 18, 2024.

STI ESG shall have the option to prepay the loan, wholly or partially, at any time during the term of the loan. Each partial prepayment shall be in integral multiples of ₱10.0 million. The amount payable in respect of any prepayment of the loan, the payment shall comprise of (i) any accrued interest on the principal amount of the loan to be prepaid; and (ii) the principal amount of the Loan to be prepaid; and (iii) prepayment penalty equivalent to 1% of the amount prepaid when the prepayment is done on any date other than the Interest Rate Setting Date.

The embedded floating interest rate and prepayment option on the loan drawdown with BPI was assessed as clearly and closely related to the loan, thus, not for bifurcation.

These loans are unsecured and are due based on the following original schedule:

Fiscal Year	Amount
2025	₱100,000,000
2026	100,000,000
2027	100,000,000
2028	100,000,000
2029	100,000,000
	₱500,000,000

Breakdown of STI ESG's Term Loan with BPI are as follows:

	September 30, 2024 (Unaudited)	June 30, 2024 (Audited)
Balance at beginning of period	**₱500,000,000**	₱–
Proceeds	–	500,000,000
Payments	**(50,000,000)**	–
Balance at end of period	**450,000,000**	500,000,000
Deferred finance cost	**(3,347,039)**	(3,536,184)
Balance at end of period	**446,652,961**	496,463,816
Less current portion	**99,249,589**	99,249,589
Balance classified as noncurrent	**₱347,403,372**	₱397,214,227

On September 18, 2024, STI ESG settled the principal payment due under STI ESG's Term Loan facility with BPI amounting to ₱50.0 million.

Financial Covenants. The Agreement prescribes that the following financial covenants shall be observed and computed annually based on STI ESG's audited consolidated financial statements as at and for the year ending June 30 of each year:

1. Debt-to-equity (D/E) ratio not exceeding than 2.5:1, computed by dividing Total Debt over total Equity of STI ESG

2. Debt Service Cover Ratio (DSCR) of at least 1.05x, which is the ratio between (a) the EBITDA based on the latest Financial Statements, and (b) Debt Service.

The term "Total Debt" means the aggregate (as of the relevant date for calculation) of all interest bearing Indebtedness of STI ESG, and the term "Equity" means the sum of capital stock (common and preferred stocks), additional paid-in capital, deposit for future subscriptions, retained earnings (appropriated and unappropriated) and shareholders advances that are intended to be infused as capital stock, as shown in the applicable Financial Statements of STI ESG. Provided that preferred stocks shall only be considered as part of capital stock if the said preferred stocks do not earn interest.

Debt Service means the principal amortizations, interest payments and financing fees and charges falling due for the next twelve (12) months following the end of STI ESG's fiscal year. Debt Service and EBITDA shall be based on the latest audited consolidated financial statements.

The Group's D/E ratio and DSCR, as defined in the Term Loan Agreement with BPI, as at June 30, 2024 are as follows:

Total liabilities [(a)]	₱2,901,081,687
Total equity	6,996,687,341
Debt-to-equity ratio	0.41:1.00

[(a)] *Including only all interest-bearing Indebtedness*

EBITDA (see Note 4) [(b)]	₱1,992,058,511
Total interest-bearing liabilities [(c)]	834,054,745
Debt service cover ratio [(d)]	2.39:1.00

[(b)] *EBITDA for the last twelve months*
[(c)] *Total interest-bearing debts and interests due in the next twelve months*
[(d)] *The first drawdown from the BPI loan facility was made on March 18, 2024*

As at September 30, 2024 and June 30, 2024, STI ESG is in compliance with the BPI loan covenants.

Term Loan Agreement with Metropolitan Bank & Trust Company (Metrobank)
On March 8, 2024, STI ESG and Metrobank entered into a five-year term loan agreement of up to the amount of ₱2,000.0 million. The credit facility is unsecured and is available up to December 31, 2024. The proceeds of this loan could be used to (i) partially refinance STI ESG's bonds due in March 2024 (ii) finance the campus expansion projects, and (iii) for other general corporate requirements. Principal repayments are to be made in equal or nearly equal consecutive ten (10) installments based on a semi-annual amortization schedule which commences six (6) months from the date of initial borrowing until the maturity date, with the last installment in an amount sufficient to fully pay the loan. Each such installment shall be paid by STI ESG on a repayment date occurring semi-annually from the date of borrowing or initial borrowing, until the maturity date. In case there is more than one (1) borrowing, the repayment date is to be adjusted to coincide with the interest payment date occurring in the same calendar month.

STI ESG has elected to fix the interest on each drawdown on semi-annual basis based on the higher of the aggregate of the six (6)-month reference rate plus 1.50% per annum, and the aggregate of the BSP TRRP Rate plus 0.50% per annum. Reference rate is defined as the relevant tenor of the Bloomberg Valuation Curve for Philippine government securities, currently referred to as BVIS0923 Index in Bloomberg, as published on the PDS market page and PDS official website.

Interest Period commences on the date of borrowing or initial borrowing, in case there is more than one (1) borrowing, and having a duration of six months and each semi-annual period thereafter commencing upon the expiry of the immediately preceding interest period, provided, that the first interest period with respect to a borrowing subsequent to the initial borrowing shall commence on the date of such subsequent borrowing and shall end on the last day of the current interest period of the initial borrowing within which such subsequent borrowing was made to synchronize all subsequent interest periods. Interest Rate Setting Date is the business day immediately preceding the date of borrowing and each semi-annual period occurring after such business day but coinciding with the interest payment date.

On March 18, 2024, STI ESG made a drawdown amounting to ₱1,000.0 million subject to an interest rate of 7.8503% per annum. Interest rate for the Term Loan Facility with Metrobank was repriced at the rate of 7.8135% per annum effective September 18, 2024. The proceeds of this loan were used to partially finance the 7-year bonds which were redeemed in full upon maturity on March 23, 2024.

STI ESG may, at its option, prepay the loan in part or in full, together with accrued interest thereon. Each partial prepayment shall be in whole multiples of ₱10.0 million. Each prepayment shall be made on an interest payment date, otherwise prepayment shall be subject to a prepayment penalty of 1% of the amount prepaid.

The embedded floating interest rate and prepayment option on the loan drawdown with Metrobank was assessed as clearly and closely related to the loan, thus, not for bifurcation.

These loans are unsecured and are due based on the following original schedule:

Fiscal Year	Amount
2025	₱200,000,000
2026	200,000,000
2027	200,000,000
2028	200,000,000
2029	200,000,000
	₱1,000,000,000

Breakdown of the STI ESG's Term Loan with Metrobank follows:

	September 30, 2024 (Unaudited)	June 30, 2024 (Audited)
Balance at beginning of period	**₱1,000,000,000**	₱–
Proceeds	**–**	1,000,000,000
Payments	**(100,000,000)**	–
Balance at end of period	**900,000,000**	1,000,000,000
Deferred finance cost	**(6,694,079)**	(7,072,368)
Balance at end of period	**893,305,921**	992,927,632
Less current portion	**198,499,178**	198,499,178
Balance classified as noncurrent	**₱694,806,743**	₱794,428,454

On September 18, 2024, STI ESG settled the principal payment due under STI ESG's Term Loan facility with Metrobank amounting to ₱100.0 million.

Financial Covenants. The Agreement prescribes that the following financial covenants shall be observed and computed annually based on STI ESG's audited consolidated financial statements as at and for the year ending June 30 of each year:

1. Debt-to-equity (D/E) ratio of not more than 1.5x, shall mean the proportion of the Total Debt to Equity, and
2. Debt Service Cover Ratio (DSCR) of at least 1.05x, shall mean the proportion of EBITDA to Debt Service.

The term "Total Debt" shall mean all obligations of STI ESG which, in accordance with generally accepted accounting principles and practices in the Philippines, are required to be included as liabilities of STI ESG in its statement of financial position, including accrued income taxes and other proper accruals, but excluding "Unearned tuition and other school fees" and "Lease liabilities", as computed based on PFRS 16, and the term "Equity" shall mean the equity interest of the owners of the capital stock of STI ESG computed and determined in accordance with generally accepted accounting principles and practices in the Philippines.

The term "EBITDA" shall mean the net income or net earnings of STI ESG before deducting interest expense, taxes, depreciation and amortization, and as defined in its audited consolidated financial statements for the immediately preceding fiscal year, and the term "Debt Service" shall mean the aggregate (as of the relevant date for calculation) of all outstanding interest-bearing debts/obligations of STI ESG that are due/payable in the next fiscal year, computed and determined in accordance with generally accepted accounting principles and practices in the Republic of the Philippines.

The Group's D/E ratio and DSCR, as defined in the Term Loan Agreement with Metrobank, as at June 30, 2024 are as follows:

Total liabilities [(a)]	₱3,816,204,623
Total equity	6,996,687,341
Debt-to-equity ratio	0.55:1.00

[(a)] *Excluding unearned tuition and other school fees and lease liabilities*

EBITDA (see Note 4) [(b)]	₱1,992,058,511
Total interest-bearing liabilities [(c)]	834,054,745
Debt service cover ratio [(d)]	2.39:1.00

(b) *EBITDA for the last twelve months*
(c) *Total interest-bearing debts due in the next twelve months*
(d) *The first drawdown from the Metrobank loan facility was made on March 18, 2024*

As at September 30, 2024 and June 30, 2024, STI ESG is in compliance with the Metrobank loan covenants.

Term Loan Agreement with China Banking Corporation (Chinabank)
On May 7, 2019, STI ESG and Chinabank entered into a seven-year term loan agreement up to the amount of ₱1,200.0 million. The credit facility is unsecured and is available for a period of one year from May 7, 2019, the date of signing of the loan agreement. The proceeds of this loan could be used for the (i) financing of campus expansion projects (ii) acquisition of schools (iii) refinancing of short-term loans incurred for projects and (iv) other general corporate purposes. The agreement provides for a grace period in principal repayments of two (2) years from the initial drawdown date. Principal repayments shall be made in ten (10) equal semi-annual installments beginning six (6) months from the end of the grace period.

As stated in the Term Loan Agreement, STI ESG has elected to fix the interest on each drawdown on a per annum basis based on the higher of the 1-year PHP BVAL rate plus an interest spread of 1.5% per annum divided by the Applicable Interest Premium Factor, or the agreed Floor rate, divided by the Applicable Interest Premium Factor. On the Initial Interest Rate Resetting Date, the applicable interest rate per annum for all drawdowns would be collectively reset based on the higher of the 1-year BVAL rate plus an interest spread of 1.5% per annum divided by the Applicable Interest Premium Factor, or the agreed Floor rate divided by the Applicable Interest Premium Factor.

STI ESG may, on any Interest Resetting Date and upon serving a written notice, elect to fix the interest rate for the remaining period of the loan based on the higher of the applicable BVAL rate plus an interest spread of 1.5% per annum divided by the Applicable Interest Premium Factor, or the agreed Floor rate, divided by the Applicable Interest Premium Factor.

On July 3, 2020, STI ESG and Chinabank executed the Amendment to the Term Loan Agreement dated May 7, 2019 to amend the availability period of the Term Loan Facility. The Term Loan Facility was made available to STI ESG on any business day for the period beginning on the date of the Term Loan Agreement and ending on the earliest of: (a) July 31, 2020; (b) the date the Term Loan Facility was fully drawn; or (c) the date the Lender's commitment to extend the Term Loan Facility to STI ESG is canceled or terminated in accordance with the Term Loan Agreement. At various dates during the year ended March 31, 2020, STI ESG availed of loans aggregating to ₱800.0 million subject to interest rates ranging from 5.81% to 6.31% per annum. In July 2020, STI ESG availed of loans aggregating to ₱400.0 million subject to an interest rate of 5.81% per annum. As at July 31, 2020, the Term Loan Facility was fully drawn at ₱1,200.0 million. The proceeds from these loans were used for capital expenditures and working capital requirements. Interest rates for all drawdowns from the Term Loan Facility were repriced at the rates of 6.5789% per annum and 8.0472% effective September 19, 2022 and 2023, respectively. Starting from September 19, 2024, the interest rate was adjusted to 7.8749% per annum.

Provided that no event of default has occurred and is continuing, STI ESG may prepay, after the second (2nd) anniversary date of the initial drawdown, all or part of the loan, together with the accrued interest and other charges accruing thereon up to the date of prepayment. Prepayments shall not be subject to any penalties if made on an interest rate resetting date. Otherwise, STI ESG shall pay the prepayment premium based on the principal amount to be prepaid (i) from the 2nd anniversary date of the Initial Drawdown up to the 5th anniversary date of the Initial Drawdown subject to prepayment penalty at 103%; (ii) After the 5th anniversary date of the Initial Drawdown until one business day before the loan maturity date at 100% of the prepaid amount.

The embedded floating interest rate and prepayment option on the loan drawdown with China Bank

was assessed as clearly and closely related to the loan, thus, not for bifurcation.

Breakdown of the Group's Term Loan with Chinabank are as follows:

	September 30, 2024 (Unaudited)	June 30, 2024 (Audited)
Balance at beginning of period	**₱600,000,000**	₱720,000,000
Repayments	**(120,000,000)**	(120,000,000)
Balance at end of period	**480,000,000**	600,000,000
Deferred finance cost	**(2,915,849)**	(3,277,036)
Balance at end of period	**477,084,151**	596,722,964
Less current portion	**238,479,233**	238,525,254
Balance classified as noncurrent	**₱238,604,918**	₱358,197,710

These loans are unsecured and are due based on the following original schedule:

Fiscal Year	Amount
2022	₱120,000,000
2023	240,000,000
2024	240,000,000
2025	240,000,000
2026	240,000,000
2027	120,000,000
	₱1,200,000,000

On September 16, 2021, Chinabank approved STI ESG's request to allow a principal prepayment in the amount of ₱240.0 million. Further, Chinabank reduced the prepayment penalty from 3% to 1.5% based on the amount to be prepaid. On September 20, 2021, STI ESG made a prepayment aggregating to ₱243.9 million, inclusive of the 1.5% prepayment penalty. The prepayment was applied in the direct order of maturity and as such, applied on amortizations due on March 19, 2022, and September 19, 2022.

On September 23, 2022, Chinabank approved STI ESG's request to allow a principal prepayment in the amount of ₱240.0 million. On the same day, STI ESG made a prepayment aggregating to ₱244.5 million, inclusive of interests on the outstanding term loan facility covering September 19 to 23, 2022 and 1.5% prepayment penalty. The prepayment was applied in the direct order of maturity and as such, applied on scheduled amortizations due on March 19, 2023 and September 19, 2023. On March 19, 2024 and September 19, 2024, STI ESG settled the principal payments due amounting to ₱120.0 million each under the Term Loan facility with Chinabank.

The revised repayment schedule as at September 30, 2024 are as follows:

Fiscal Year	Amount
2025	₱120,000,000
2026	240,000,000
2027	120,000,000
	₱480,000,000

Financial Covenants. The Agreement prescribes that the following financial covenants shall be observed and computed based on STI ESG's unaudited interim consolidated financial statements as at and for the six-month period ending December 31 of each year and based on the audited consolidated financial statements as at and for the year ending June 30 of each year:

1. Debt-to-equity (D/E) ratio of not more than 1.5x, computed by dividing Total Liabilities by Total Equity. For purposes of this computation, Total Liabilities shall exclude Unearned Tuition and Other School Fees, and

2. Debt Service Cover Ratio (DSCR) of a minimum of 1.05x, which is the ratio of EBITDA to Debt Service.

"Total Liabilities" shall mean, for purposes of determining STI ESG's compliance with any required Debt-to-Equity Ratio, the total economic obligations of STI ESG (excluding unearned tuition and other school fees) that are recognized and measured in the fiscal year end audited consolidated financial statements in accordance with PFRS and GAAP, as may be applicable and unaudited consolidated financial statements ending December 31 of each year, as may be applicable. "Total Equity" shall mean, for purposes of determining STI ESG's compliance with any required Debt to Equity Ratio, the amount of STI ESG's total stockholders' equity, recognized and measured in the fiscal year-end audited consolidated financial statements in accordance with PFRS and GAAP, as may be applicable and unaudited consolidated financial statements ending December 31 of each year, as may be applicable.

On August 15, 2022, Chinabank approved the request of STI ESG for the waiver of the DSCR requirement for the periods ended June 30, 2023 and December 31, 2023. With the waiver, STI ESG is compliant with the above covenants as at December 31, 2023 and June 30, 2023. Under the Term Loan agreement, the Debt-to-equity ratio and DSCR testing is done semi-annually, that is, as at June 30 and December 31 of each year.

The Group's DSCR, as defined in the Term Loan Agreement of STI ESG with Chinabank, as at June 30, 2024 is 2.39:1.00 while the Group's D/E ratio, as defined in the same loan agreement is 0.59:1.00 as at June 30, 2024. As at September 30, 2024 and June 30, 2024, STI ESG is compliant with the required covenants.

Corporate Notes Facility

STI ESG entered into a Corporate Notes Facility Agreement (Credit Facility Agreement) with Chinabank in 2014, granting STI ESG a credit facility amounting to ₱3,000.0 million with a term of either 5 or 7 years. The facility is available in two tranches of ₱1,500.0 million each. The net proceeds from the issuance of the notes were 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.

An Accession Agreement to the Credit Facility Agreement was executed on December 16, 2014 among STI ESG, STI West Negros University, Inc. (STI WNU), a company under common control of STI Holdings, and Chinabank whereby STI WNU acceded to the Credit Facility entered into by STI ESG with Chinabank in March 2014. In addition, an Amendment and Supplemental Agreement was also executed by the parties on the same date. The Amendment and Supplemental Agreement allowed STI WNU to draw up to ₱300.0 million from the facility.

On December 19, 2014, STI ESG advised Chinabank that it will not be availing of tranche 2 of the Credit Facility Agreement thus limiting the facility available to STI ESG ₱1,500.0 million.

STI ESG availed a total of ₱1,200.0 million loans in 2015 with interest ranging from 4.34% to 4.75%. The interest rate for the outstanding balance of Corporate Notes Facility amounting to ₱240.0 million was repriced at 5.5556% and 5.7895%, per annum, effective February 1, 2021 and September 20, 2021, respectively.

The Credit Facility Agreement, together with the Accession Agreement, contains, among others, covenants regarding incurring additional debt and declaration of dividends to the extent that such will result in a breach of the required debt-to-equity and DSCR ratios. The Parent Company was required to maintain a debt-to-equity ratio of not more than 1.00:1.00 and debt service cover ratio of not less than 1.10:1.00.

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

a) change in interest rate of either (1) the 1-year Benchmark Rate (PDST-R2) plus a margin of 1.5% per annum which interest rate shall in no case be lower than 3.75% per annum or (2) the 3-month Benchmark Rate plus a margin of 1.50% per annum which interest rate shall in no case be lower than 3.50% per annum.
b) amendments on the required financial ratios, whereby STI ESG shall maintain the following ratios which shall be computed based on the consolidated financial statements:

    (1) Debt-to-equity ratio of not more than 1.50x, 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.

STI ESG and Chinabank executed a Third Amendment and Supplemental Agreement to the Corporate Notes Facility Agreement with an outstanding balance of ₱240.0 million in January 2021. Significant changes to the terms and conditions of the Corporate Notes Facility of STI ESG are as follows:

a) amendment of the maturity date from July 31, 2021 to September 19, 2026, where semi-annual amortization of ₱30.0 million shall be every March 19 and September 19 of each year to commence from March 19, 2023;

b) amendment of the interest rate repricing date for the interest period commencing on January 31, 2021 while all succeeding interest rate repricing dates shall be on the interest payment date of the interest period ending on September 19 of every year, thereafter;

c) amendment of the interest period commencing on January 31, 2021 and each successive period of six months commencing from September 19, 2021 and ending on the relevant maturity date; and

d) amendment of the 1-year Benchmark Rate plus a margin of 1.50% per annum which interest rate shall in no case be lower than 5.50% per annum for the interest period covering January 31, 2021 to September 18, 2021 and 6.25% per annum for each succeeding interest period thereafter.

The above modification of terms and conditions resulted in the recognition of a premium on the corporate notes facility amounting to ₱8.3 million. The premium on the interest-bearing loans and borrowings will be amortized and presented as a reduction of future interest expense. The impact of the loss on loan modification and loan premium amortization was fully offset at the end of the loan period. Amortization of loan premium amounting to ₱0.4 million for the three-month period ended September 30, 2023 (nil in 2024) was recognized as a reduction of interest expense in the unaudited interim condensed consolidated statements of comprehensive income. The interest rate for the Corporate Notes Facility was repriced at the rate of 6.5789% per annum effective September 20, 2022.

In March 2023, STI ESG settled the principal payment due on its Corporate Notes Facility amounting to ₱30.0 million.

As at June 30, 2023, these loans are unsecured and are due based on the following schedule (with the

January 29, 2021 amendments):

Fiscal Year	Amount
2024	₱60,000,000
2025	60,000,000
2026	60,000,000
2027	30,000,000
	₱210,000,000

STI ESG is compliant with the required financial ratios under the Corporate Notes Facility as at June 30, 2023. As discussed in a related paragraph on the Term Loan Agreement, Chinabank approved on August 15, 2022, the request of STI ESG for the waiver of the DSCR requirement for the periods ended June 30, 2023 and December 31, 2023.

On September 19, 2023, STI ESG settled the principal payment due on its Corporate Notes Facility amounting to ₱30.0 million. On the same day, STI ESG fully paid the remaining principal on the same facility amounting to ₱180.0 million. In view of this loan being fully paid, the unamortized premium, associated with the Corporate Notes Facility, amounting to ₱3.1 million as at September 19, 2023 was derecognized and taken up as "Gain on early extinguishment of loan" in the unaudited interim condensed consolidated statement of comprehensive income for the year ended June 30, 2024.

Breakdown of STI ESG's Credit Facility Agreement follows:

	September 30, 2024 (Unaudited)	June 30, 2024 (Audited)
Balance at beginning of period	**₱**–	₱210,000,000
Repayments	–	210,000,000
Balance at end of period	**₱**–	₱–

Waivers of Certain Covenants

a. On June 23, 2020, STI ESG requested Chinabank for waivers of certain covenants in its Term Loan Agreement and Corporate Notes Facility Agreement in connection with STI ESG's availment of the Land Bank of the Philippines (LandBank) ACcess to Academic Development to Empower the Masses towards Endless Opportunities (ACADEME) Program.

b. On July 23, 2020, Chinabank approved the waiver of the following covenants:
   - Assignment of revenues/income. STI ESG/Issuer shall not assign, transfer or otherwise convey any right to receive any of its income or revenues except when such assignment, transfer, or conveyance: (i) is made on an arm's length basis under normal commercial terms; or (ii) is required by Law; and, in either case, does not result in a Material Adverse Effect and provided that STI ESG/Issuer shall notify the Lender/Note Holder in the event that any of the above transactions are entered into with related parties or any of the Subsidiaries or Affiliates of STI ESG/Issuer;
   - Encumbrances. STI ESG/Issuer shall not permit any Indebtedness to be secured by or to benefit from any Lien, in favor of any creditor or class of creditors on, or in respect of, any present or future assets or revenues of the Issuer or the right of the Issuer in receiving income; and
   - Ranking of Notes. STI ESG/Issuer shall ensure that for so long as any Note is outstanding, the Issuer shall not incur or permit to arise any Indebtedness which ranks ahead of the Notes whether it be by virtue of being evidenced by a public instrument as provided by Article 2244, paragraph 14 of the Civil Code of the Philippines, as the same may be amended from time to time, or otherwise.

c. On July 23, 2020, Chinabank approved the temporary waiver of the DSCR requirement on both the Term Loan and the Corporate Notes Facility Agreements with STI ESG covering the period ended March 31, 2021. On December 18, 2020, Chinabank approved the temporary waiver of the DSCR requirement covering the period ended December 31, 2020 and the period ended June 30, 2021.

d. On August 15, 2022, ChinaBank approved the request of STI ESG for the waiver of the DSCR requirement for the periods ended June 30, 2023 and December 31, 2023.

LandBank ACADEME Program

On July 22, 2020, LandBank approved a ₱250.0 million Term Loan/Rediscounting Line Facility under its ACADEME Lending Program in favor of STI ESG to finance the 'study now, pay later' program of the government for students amid the financial difficulties facing families due to the COVID-19 pandemic. The LandBank ACADEME Program is a refinancing/rediscounting facility for Promissory Notes issued by the parents or benefactors of students to enable said students to enroll, continue and complete their studies. The school can borrow up to 70% of the amount stated in the Promissory Note issued by the parents/benefactors of the students. This loan from LandBank is subject to 3% interest per annum. Interest and principal are payable annually in arrears. The term of the borrowing is coterminous with the promissory note to be issued by the parents/benefactors of the students, which in no case shall exceed three (3) years. The loans covered by these promissory notes to be issued by the parents/benefactors/students are interest-free. On September 16, 2020, the Rediscounting Agreement with LandBank was executed by STI ESG in relation to this loan arrangement. Further, on the same date, the Comprehensive Surety Agreement securing this facility was executed by STI Holdings in favor of LandBank. This agreement shall remain in full force and effect while the obligations of STI ESG under the LandBank ACADEME Program remain outstanding and/or not paid to the satisfaction of Landbank. STI ESG has drawn from its Term Loan/Rediscounting Line Facility an aggregate amount of ₱22.1 million in 2021. The term of the borrowing is coterminous with the promissory notes executed by the parents/benefactors of the students. STI ESG paid ₱9.5 million during the year ended June 30, 2023. Total payments made up to June 30, 2023 is ₱19.1 million. In August 2023, STI ESG made a payment of ₱2.1 million while the remaining balance of the loan was fully paid on January 31, 2024.

Interest Expense

The benchmark rate for the loans of STI ESG is the BVAL reference for six months for the BPI and Metrobank Term Loan Facilities and the rate for one-year tenor for the China Bank Term Loan Facility and the Corporate Notes Facility.

Interest incurred on the loans (including amortization of debt issuance costs) amounted to ₱43.0 million, and ₱15.5 million for the three-month periods ended September 30, 2024 and 2023, respectively.

17. Bonds Payable

This account consists of:

	September 30, 2024 (Unaudited)	June 30, 2024 (Audited)
Fixed-rate bonds due 2027	**₱820,000,000**	₱820,000,000
Less unamortized debt issuance costs	**4,608,745**	5,032,725
Balance at end of period	**₱815,391,255**	₱814,967,275

On March 23, 2017, the Parent Company issued the first tranche of its ₱5,000.0 million fixed-rate bonds program under its 3-year shelf registration with the SEC which ended on March 9, 2020. The bonds, amounting to an aggregate of ₱3,000.0 million, were listed through the Philippine Dealing & Exchange Corp. (PDEx), with interest payable quarterly and were issued with a fixed rate of 5.8085% for the 7-year series, due 2024, and 6.3756% for the 10-year series, due 2027.

Proceeds of the issuance were used to finance the campus expansion projects, refinancing of the short-term loans incurred for the acquisition of land, and for other general corporate requirements of the Group.

The bonds include an embedded derivative in the form of an early redemption option that gives the Parent Company the option, but not the obligation, to redeem in whole (and not in part), the outstanding bonds before the relevant maturity date, based on a certain price depending on the fixed early redemption option dates. Management has assessed that the early redemption option is closely related to the bonds and would not require to be separated from the value of the bonds and accounted for as a derivative. Subsequent reassessment is required when there has been a change in the terms of the contract that significantly modifies the cash flows.

On March 23, 2024, the 7-year fixed rate bonds with a principal amount of ₱2,180.0 million matured and were fully redeemed by STI ESG in accordance with terms of the Trust Agreement and the Supplemental Trust Agreement.

The bonds were rated 'PRS A plus' with a Positive Outlook by PhilRatings in November 2024. Obligations rated PRS A have favorable investment attributes and are considered as upper-medium grade obligations. Although these obligations are somewhat more susceptible to the adverse effects of changes in economic conditions, the obligor's capacity to meet its financial commitments on the obligation is still strong. The "plus" further qualifies the assigned rating. A "Positive Outlook" indicates that there is a potential for the present credit rating to be upgraded in the next 12 months.

A summary of the terms of the Parent Company's issued and outstanding bonds is as follows:

					Carrying Value		Features
Year Issued	Interest Payable	Term	Interest Rate	Principal Amount	**September 30, 2024 (Unaudited)**	June 30, 2024 (Audited)	
2017	Quarterly	10 years	6.3756%	₱820,000,000	**₱815,391,255**	₱814,967,275	Callable from the 7th anniversary issue and every year thereafter until the 9th anniversary issue date

Covenants

The bonds provide certain restrictions and requirements with respect to, among others, change in majority ownership and management, merger or consolidation with other corporation resulting in loss of control over the overall resulting entity and sale, lease, transfer or otherwise disposal of all or substantially all its assets. The bonds' Trust Agreement and Supplemental Trust Agreement (the "Bond Trust Agreements") also contain, among others, covenants regarding incurring additional debt and

declaration of dividends. The Parent Company is required to maintain a debt-to-equity ratio of not more than 1.50:1.00 and debt service cover ratio of not less than 1.05:1.00 computed based on the consolidated financial statements. Testing of compliance with required ratios is done on June 30 and December 31 of each year.

The Group's debt-to-equity (D/E) ratio, as defined in the Trust Agreement, as at June 30, 2024 is 0.59:1.00.

In August 2020, STI ESG obtained the required consent of the holders of the Bonds (the "Record Bondholders"), which include among others, the waiver of the DSCR requirement up to June 30, 2023 (see Amendments to the Trust Agreement).

In April 2024, China Bank-Trust and STI ESG executed a second supplemental agreement to (i) replace the financial covenant on DSCR of not less than 1.05:1.00 with an Interest Coverage Ratio (ICR) of not less than 3.00:1.00 and (ii) amendment of the definition of EBITDA (see discussions on the succeeding paragraphs). The Group's ICR as at June 30, 2024 is 9.37:1.00.

As at September 30, 2024 and June 30, 2024, STI ESG is compliant with the required covenants.

Supplemental Trust Agreement. On July 20, 2020, STI ESG delivered to China Banking Corporation – Trust and Asset Management Group, in its capacity as trustee (the "Trustee") for the Series 7Y Bonds due 2024 and the Series 10Y Bonds due 2027 (collectively, the "Bonds") a Consent Solicitation Statement (the "Consent Solicitation Statement") and the annexed Consent Form (the "Consent Form") in connection with the proposed amendments to the Trust Agreement dated March 10, 2017 (the "Trust Agreement") governing the Bonds issued by STI ESG. Pursuant to the Consent Solicitation Statement, STI ESG sought the consent of the Record Bondholders to certain proposed amendments to the Trust Agreement. The Proposed Amendments are (1) the waiver of Section 7.02(a) of the Trust Agreement which prohibits the Issuer from incurring or suffering to exist any Lien upon any assets or revenues, present and future, of the Issuer in relation to the requirement of LandBank to assign the sub-promissory notes to be executed by the parents or benefactors of the Issuer's students in favor of LandBank as security for the ACADEME Lending Program; (2) the waiver of Section 7.02(b) of the Trust Agreement which prohibits the Issuer from incurring Indebtedness or entering 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, unless the Issuer has made or will make effective provisions, satisfactory to the Record 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 obligations of the Issuer under the Trust Agreement and such other Indebtedness which the Lien purports to secure; (3) the waiver of Section 7.02(f) of the Trust Agreement which prohibits the Issuer from assigning, transferring or conveying its right to receive income or revenues insofar as such assignment relates to the requirement of LandBank to assign the subpromissory notes to be executed by the parents or benefactors of STI ESG's students in favor of LandBank as security for the ACADEME Lending Program; and (4) the waiver of the DSCR up to June 30, 2023, as provided under Section 7.01(k) of the Trust Agreement. The Proposed Amendments will not alter the interest rate or maturity date of the Bonds, the Issuer's obligation to make principal and interest payments on the Bonds, or the substantive effect of any other covenant or provision of the Bonds. The Trustee certified as of August 15, 2020, that it has obtained the required consent of the Record Bondholders holding or representing at least fifty percent (50.0%) plus one peso (Php1.00) of the aggregate principal amount of the Bonds to the Proposed Amendments to the Trust Agreement governing the Bonds.

On August 19, 2020, pursuant to the Consent Solicitation Statement, STI ESG and the Trustee executed the Supplemental Trust Agreement incorporating the Proposed Amendments, as follows:

- Amendments Relating to Negative Covenants Waiver

Effective as of the Execution Date, the following amendments shall be deemed to have been made to Section 7.02 (Negative Covenants of the Issuer) of the Trust Agreement:

(a) Section 7.02(a) of the Trust Agreement is hereby amended to read as follows: "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 and its Subsidiaries, as the case may be, except for the assignment by the Issuer to LandBank of sub-promissory notes to be executed by the parents or benefactors of the Issuer's students as security for the ACADEME Lending Program of LandBank";

(b) Section 7.02(b) of the Trust Agreement is hereby amended to read as follows: "incur Indebtedness or enter into, or permit any Subsidiary to 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, except for the assignment by the Issuer to LandBank of sub-promissory notes to be executed by the parents or benefactors of the Issuer's students as security for the ACADEME Lending Program of LandBank";

- Amendment Relating to DSCR Waiver

  Effective as of the date stated in the Majority Bondholders' Consent, the following amendment shall be deemed to have been made to Section 7.01(k) of the Trust Agreement:

(k) maintain and observe the following financial ratios:

DSCR of not less than 1.05:1:00, provided that this Debt Service Coverage Ratio requirement shall be waived up to June 30, 2023.

Second Supplemental Trust Agreement. On April 8, 2024, STI ESG delivered to China Banking Corporation through its Trust and Asset Management Group, the "Trustee" for the Series 10Y Bonds due 2027, the Consent Solicitation Statement and the annexed Consent Form seeking the amendments to the Trust Agreement dated March 10, 2017 (the "Trust Agreement") and Supplemental Trust Agreement dated August 19, 2020 governing the Bonds issued by STI ESG. The proposed amendments are the (i) replacement of the financial covenant on Debt Service Coverage Ratio of not less than 1.05:1.00 with an ICR of not less than 3.00:1.00 and (ii) amendment of the definition of EBITDA.

ICR means EBITDA with reference to STI ESG's audited or unaudited, as the case may be, consolidated financial statements for the immediately preceding twelve (12) months, divided by the interest due for the next twelve (12) months. The term "EBITDA" shall mean the net income of STI ESG based on the consolidated financial statements for the immediately preceding twelve (12) months for that relevant period after adding back (a) depreciation and amortization, (b) interest and other financial expenses, (c) income tax, and adding back or deducting, as applicable (d) all other items as enumerated in the EBITDA computation shown in the quarterly and annual consolidated financial statements of STI ESG, each item determined in accordance with PFRS.

The proposed amendments on the use of the ICR will better reflect the financial capability of STI ESG to service the interest payments on the Bonds and other loans as they fall due and shall also provide STI ESG with operational flexibility. The Proposed Amendment revising the definition of EBITDA will better gauge the core profitability of STI ESG and the cash income it generates year on year.

On April 23, 2024, the Trustee certified that it has obtained the consent of the bondholders as of April 1, 2024 of the Series 10Y Bonds due 2027, holding or representing at least fifty percent (50%) plus one peso (Php1.00) of the aggregate principal amount of the said bonds then outstanding, who

have validly executed and properly delivered consent forms to the Trustee, in accordance with the terms of the Consent Solicitation Statement.

Thus, on April 26, 2024, pursuant to the Consent Solicitation Statement, STI ESG and China Banking Corporation, through its Trust and Asset Management Group, executed the "Second Supplemental Trust Agreement" to effect the amendments to the Trust Agreement dated March 10, 2017 and Supplemental Trust Agreement dated August 19, 2020.

Following are the amendments made:

Section 7.01(k) of the Amended Trust Agreement shall be amended as set forth below:

"Section 7.01 Affirmative Covenants of the Issuer

The Issuer hereby covenants and agrees that, for as long as the Bonds or any portion thereof remain outstanding, the Issuer shall:

(k) maintain and observe the following financial ratios:
(i) an Interest Coverage Ratio of not less than 3.00:1; and
(ii) a maximum Debt-to-Equity Ratio of 1.5:1.

For purposes of this Section 7.01(k):

(iii) the term "Interest Coverage Ratio" means (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 interest due for the next twelve (12) months.

(iv) the term "EBITDA" shall mean the net income of the Issuer based on the consolidated financial statements for the immediately preceding twelve (12) months for that relevant period after adding back (a) depreciation and amortization, (b) interest and other financial expenses, (c) income tax, and adding back or deducting, as applicable (d) all other items as enumerated in the EBITDA computation shown in the quarterly and annual consolidated financial statements of the Issuer, each item determined in accordance with PFRS."

All references in the Amended Trust Agreement to the defined term "Debt Service Coverage Ratio" or "DSCR" shall be replaced by ICR, as applicable.

The Group's D/E ratio and ICR, as defined on the Second Supplemental Trust Agreement, as at June 30, 2024 are as follows:

Total liabilities [(a)]	₱4,131,238,695
Total equity	6,996,685,045
Debt-to-equity ratio	0.59:1.00

[(a)]Excluding unearned tuition and other school fees

EBITDA (see Note 4) [(b)]	₱1,992,058,511
Interest expense [(c)]	212,659,106
Interest coverage ratio	9.37:1.00

[(b)] *EBITDA for the last twelve months*
[(c)] *Total interests due in the next twelve months*

As at September 30, 2024 and June 30, 2024, STI ESG has complied with the required covenants.

Bond Issuance Cost

STI ESG incurred costs related to the issuance of the bonds in 2017 amounting to ₱53.9 million. These costs are capitalized and amortized using the effective interest rate method. The carrying value of the unamortized bond issuance costs amounted to ₱4.6 million and ₱5.0 million as at September 30, 2024 and June 30, 2024, respectively. Amortization of bond issuance costs amounting to ₱0.4 million, and ₱2.1 million for the three-month periods ended September 30, 2024 and 2023, respectively, were recognized as part of "Interest expense" account in the unaudited interim condensed consolidated statements of comprehensive income.

Interest Expense

Interest expense (including amortization of bond issuance costs) associated with the bonds payable recognized in the unaudited interim condensed consolidated statements of comprehensive income amounted to ₱13.5 million and ₱46.8 million for the three-month periods ended September 30, 2024 and 2023, respectively.

18. Other Noncurrent Liabilities

	September 30, 2024 (Unaudited)	June 30, 2024 (Audited)
Payable for acquisition of lot (see Notes 10 and 14)	**₱102,062,500**	₱–
Advance rent - net of current portion (see Note 14)	**14,990,487**	14,053,167
Refundable deposit - net of current portion (see Note 14)	**11,516,756**	11,940,857
Deferred lease liability	**2,761,870**	3,073,220
Deposits for future stock subscriptions (see Note 19)	–	83,000,000
	₱131,331,613	₱112,067,244

STI ESG recognized the acquisition of a parcel of land at South Park District, Alabang, Muntinlupa City as "Land" under "Property and Equipment" in September 2024. Previous deposits made for this transaction were applied, and the remaining balance of ₱102.1 million was recognized as "Other Noncurrent Liability" representing the amount due 16 months after the execution of the Deed of Sale on Installments in September 2024.

Deposits for future stock subscriptions represent contributions received by STI ESG's subsidiaries, STI Training Academy and STI Novaliches which were recognized under the "Other noncurrent liabilities" as at June 30, 2024. As at September 30, 2024, such contributions were recorded under the "Equity" section of the unaudited interim condensed consolidated statements of financial position, upon meeting the required criteria for classification under the equity section.

Advance rent pertains to the amount received by the Group which will be earned and applied to future rentals for periods more than one year after the reporting date.

Refundable deposits are held by the Group throughout the term of the lease and are refunded in full to the lessee at the end of the lease term if the lessee has performed fully and observed all of the conditions and provisions in the lease. Refundable deposits are presented in the unaudited interim condensed consolidated statements of financial position at amortized cost. The difference between the fair value at initial recognition and the notional amount of the refundable deposit is charged to "Deferred lease liability" and amortized on a straight-line basis over the respective lease term.

19. Equity

Capital Stock

The details of the issued and outstanding number of common shares and amount as at September 30, 2024 and June 30, 2024 are as follows:

	No. of Shares	Amount (At Par)
Authorized - ₱1 par value	5,000,000,000	₱5,000,000,000
Issued and outstanding:		
Balance at beginning and end of period	3,087,829,443	₱3,087,829,443
Less treasury stocks	(5,952,273)	(5,952,273)
Issued and outstanding at end of period	3,081,877,170	₱3,081,877,170

Deposits for future stock subscriptions

Deposits for future stock subscriptions represent contributions received by STI Training Academy from a third party and STI Novaliches from STI Holdings, amounting to ₱8.0 million, and ₱75.0 million, respectively, as payments for future subscriptions to the shares of stock of the respective companies (see Note 18).

Treasury Stock

Treasury stock acquired as at September 30, 2024 and June 30, 2024 amounted to ₱10.8 million.

Retained Earnings

On December 21, 2023, the Parent Company's BOD approved the cash dividends amounting to ₱0.20 per share or an aggregate amount of ₱616.4 million in favor of all stockholders of record as at January 10, 2024. The dividends were paid on January 12, 2024.

Policy on Dividend Declaration.

STI ESG follows a dividend declaration policy which was approved by the BOD in September 2017 equivalent to 25.0% to 40.0% of the core income of the Group from the previous fiscal year, subject to compliance with the requirements of applicable laws and regulations, statutory limitations and/or restrictions, terms and conditions which may be imposed on the Group by lenders or other financial institutions, and the Group's investment plans and financial condition.

Core income is defined as consolidated net income after tax derived from the Group's main business-which is education and other recurring income.

The amount of dividends will be reviewed periodically by the BOD in light of the earnings, financial conditions, cash flows, capital requirements and other considerations, while maintaining a level of capitalization that is commercially sound and sufficient to ensure that the Group can operate on a standalone basis.

Dividends shall be declared and paid out of the Parent Company's unrestricted retained earnings which shall be payable in cash, property or stock to all shareholders on the basis of outstanding stock held by them. Unless otherwise required by law, the BOD, at its sole discretion, shall determine the amount, type and date of payment of the dividends to the shareholders, taking into account various factors, including:

- the level of the Group's earnings, cash flow, return on equity and retained earnings;
- its results for and its financial condition at the end of the year in respect of which the dividend is to be paid and its expected financial performance;
- the projected levels of capital expenditures and other investment programs;

- restrictions on payments of dividends that may be imposed on it by any of its financing arrangements and current or prospective debt service requirements; and such other factors as the BOD deems appropriate.

20. Revenues

Disaggregated Revenue Information

The disaggregated revenue information is presented in the unaudited interim condensed consolidated statements of comprehensive income and segment information, as discussed in Note 4 to the unaudited interim condensed consolidated financial statements, in a manner that reflects the various sources and categories of revenues generated by the Group for the three-month periods ended September 30, 2024 and 2023.

Timing of revenue recognition

	Three-months ended September 30	
	2024	2023
	(Unaudited)	(Unaudited)
Services transferred over time	**₱682,030,684**	₱385,155,566
Goods and services transferred at a point in time	**90,565,593**	95,007,548
Total consolidated revenue	**₱772,596,277**	₱480,163,114

Contract Balances

The Group's receivables are disclosed in Note 6 while the contract liabilities are presented as "Unearned tuition and other school fees" in the unaudited interim condensed consolidated statements of financial position. There is no significant change in the contract liability and the timing of revenue recognition for SY2024-2025 and SY2023-2024.

Revenue recognized from amounts included in the contract liabilities at the beginning of the period amounted to ₱93.0 million and ₱43.9 million for the three-month periods ended September 30, 2024 and 2023, respectively.

There was no revenue recognized from performance obligations satisfied in previous years for the three-month periods ended September 30, 2024 and 2023.

Performance Obligations

The performance obligations related to revenues from tuition and other school fees are satisfied over time since the students receive and consume the benefit provided by the Group upon performance of the services. The payment for these services is normally due within the related school term(s).

The performance obligations related to revenues from educational services and royalty fees are also satisfied over time since the franchised schools receive and consume the benefit provided by STI ESG upon performance of the services. The payment for these services is normally due within 30 days.

On the other hand, the performance obligations related to the sale of educational materials and supplies and other revenues are satisfied upon receipt by the customers since the control of the goods and products is transferred at this point. The payment for the sale of educational materials and supplies is generally due within 30 days from delivery.

As at September 30, 2024 and June 30, 2024, the transaction price allocated to the remaining performance obligations (unsatisfied or partially satisfied) amounted to ₱1,815.4 million and ₱93.0 million, respectively. The contract liabilities as at September 30, 2024 refer to the portion of student

assessment initially recorded as a liability account at the start of the school term and recognized as earned income proportionately until the end of the related school term(s). Meanwhile, the remaining performance obligations as at June 30, 2024 represent advance payment for tuition and other school fees for the school year commencing after the financial reporting date and will be recognized as tuition and other school fees within the related school term(s). On the other hand, the Group does not have any performance obligations that are expected to be satisfied in more than one year.

21. Cost of Educational Services

This account consists of:

	Three-months ended September 30	
	2024	2023
	(Unaudited)	(Unaudited)
Faculty salaries and benefits	**₱90,241,151**	₱62,287,150
Depreciation and amortization (see Note 10)	**67,604,230**	62,986,385
Student activities, programs and other related expenses	**23,615,216**	14,590,686
Rental	**7,860,402**	7,144,531
School materials and supplies	**6,460,681**	6,608,931
Software maintenance	**2,556,799**	2,516,679
Courseware development costs	**528,705**	337,822
Others	**587,385**	356,484
	₱199,454,569	₱156,828,668

22. Cost of Educational Materials and Supplies Sold

This account consists of:

	Three-months ended September 30	
	2024	2023
	(Unaudited)	(Unaudited)
Educational materials and supplies	**₱42,827,164**	₱44,635,368
Promotional materials	**3,603,438**	3,210,984
	₱46,430,602	₱47,846,352

23. General and Administrative Expenses

This account consists of:

	Three-months ended September 30	
	2024 (Unaudited)	2023 (Unaudited)
Salaries, wages and benefits	**₱77,800,035**	₱69,590,997
Depreciation and amortization (see Notes 10 and 11)	**54,765,507**	58,924,164
Provision for estimated credit losses (ECL) (see Note 6)	**52,299,725**	42,837,782
Light and water	**34,814,794**	26,840,592
Outside services	**28,546,274**	24,415,875
Professional fees	**21,437,123**	18,828,858
Advertising and promotions	**14,285,707**	10,198,615
Taxes and licenses	**9,785,982**	8,494,080
Repairs and maintenance	**8,619,113**	5,674,073
Insurance	**4,764,271**	4,132,655
Transportation	**4,513,393**	4,293,758
Rental	**3,377,708**	3,082,989
Meetings and conferences	**2,997,444**	2,871,876
Office supplies	**2,854,621**	1,281,822
Payment channels and bank charges	**1,671,169**	753,376
Entertainment, amusement and recreation	**1,658,558**	1,580,487
Association dues	**1,385,483**	704,615
Communication	**894,223**	851,498
Software maintenance	**306,207**	925,469
Others	**1,709,316**	2,544,279
	₱328,486,65	₱288,827,862

24. Related Party Transactions

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

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

	Amount of Transactions During the Period		Outstanding Receivable (Payable)			
Related Party	**September 30, 2024 (Unaudited)**	September 30, 2023 (Unaudited)	**September 30, 2024 (Unaudited)**	June 30, 2024 (Audited)	**Terms**	**Conditions**
Associates						
STI Accent Reimbursement for various expenses and other charges	**₱–**	₱–	**₱48,134,540**	₱48,134,540	30 days upon receipt of billings; noninterest-bearing	Unsecured; with provision for impairment

(Forward)

Related Party	Amount of Transactions During the Period: September 30, 2024 (Unaudited)	Amount of Transactions During the Period: September 30, 2023 (Unaudited)	Outstanding Receivable (Payable): September 30, 2024 (Unaudited)	Outstanding Receivable (Payable): June 30, 2024 (Audited)	Terms	Conditions
GROW						
Rental income and other charges	**₱187,602**	₱178,669	**₱10,227,647**	₱10,209,550	30 days upon receipt of billings	Unsecured; no impairment
Reimbursement for various expenses and other charges	**273,631**	68,496	–	–	30 days upon receipt of billings	Unsecured; no impairment
Refundable deposits	–	–	**(119,383)**	(119,383)	Refundable upon end of contract	Unsecured
STI Holdings						
Deposit for future stock subscription	–	–	–	**(**75,000,000)	Noninterest-bearing; to classified under the equity sectioned	Unsecured
Advisory fees	**3,600,000**	3,600,000	**–**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
STI Marikina						
Educational services and sale of educational materials and supplies	**4,419,822**	3,840,790	**974,688**	892,949	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Affiliates*						
TCAMI						
Deposit for purchase of shares of PHI	–	–	**60,484,800**	60,484,800	15% deposit; balance payable on the third anniversary of the share purchase agreement	Unsecured; no impairment
STI Diamond						
Reimbursement for various expenses and other charges	–	–	**(59,319,426)**	(59,511,839)	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
STI WNU						
Educational services and sale of educational materials and supplies	**6,382,311**	7,578,929	**6,200,262**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses and other charges	**1,319,417**	1,999,694	**1,319,417**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Phil First Insurance Co., Inc.						
Insurance	**16,736,046**	13,254,707	**(2,883,913)**	(2,502)	30 days upon receipt of billings; noninterest-bearing	Unsecured
PhilPlans						
Rental income	**2,811,960**	–	**3,036,917**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Refundable deposits	**937,320**	–	**(937,320)**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses and other charges	**425,234**	–	**216,586**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
PhilCare						
Refundable deposits	**–**	–	**(1,950,480)**	(1,950,480)	Refundable upon end of contract	Unsecured
Rental income and other charges	**–**	2,990,790	**–**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
HMO coverage	**10,714,988**	8,785,790	**–**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured
GROW VITE						
Janitorial and Staffing Services	**9,584,409**	5,777,586	**(3,885,474)**	(3,794,549)	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Refundable deposits			**(421,744)**	(421,744)	30 days upon receipt of billings; noninterest-bearing	Unsecured
Reimbursement for various expenses and other charges	**250,874**	198,867	**122,870**	157,914	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Rental income and other charges	**442,831**	421,744	**–**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment

(Forward)

Related Party	Amount of Transactions During the Period: September 30, 2024 (Unaudited)	Amount of Transactions During the Period: September 30, 2023 (Unaudited)	Outstanding Receivable (Payable): September 30, 2024 (Unaudited)	Outstanding Receivable (Payable): June 30, 2024 (Audited)	Terms	Conditions
PhilLife						
Rental income and related charges	**₱**–	₱113,389	**₱68,593**	₱68,953	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Philippines First Condominium Corporation						
Association dues, utilities and other charges	**1,880,937**	2,534,574	**(3,454)**	(845,606)	30 days upon receipt of billings; noninterest-bearing	Unsecured
Officers and employees						
Receivables for various transactions	**10,155,235**	10,684,167	**25,747,509**	₱25,125,248	Liquidated within one month; noninterest-bearing	Unsecured; no impairment
Others						
Rental and other charges	–	–	**591,673**	653,985	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
			₱12,604,668	(₱4,081,836)		

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

Related party receivables and payables are generally settled in cash.

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

	September 30, 2024 (Unaudited)	June 30, 2024 (Audited)
Advances to associates and joint venture (see Note 12)	**₱48,134,540**	₱48,134,540
Educational services and sale of educational materials and supplies (Note 6)	**8,494,367**	892,949
Receivables from officers and employees (see Note 6)	**25,747,509**	25,125,248
Rent, utilities, and other related receivables (see Note 6)	**14,264,646**	11,090,402
Deposit for purchase of shares (see Note 14)	**60,484,800**	60,484,800
Accounts payable (see Note 15)	**(10,201,768)**	(7,134,264)
Due to an affiliate (see note 15)	**(59,319,426)**	(59,511,839)
Deposit for future stock subscription (see Note 18)	**(75,000,000)**	(75,000,000)
	(₱12,604,668)	(₱4,081,836)

Outstanding balances of the Parent Company's transactions with subsidiaries which were eliminated during consolidation are as follows:

	Amount of Transactions During the Period		Outstanding Receivable (Payable)			
Related Party	**September 30, 2024 (Unaudited)**	September 30, 2023 (Unaudited)	**September 30, 2024 (Unaudited)**	June 30, 2024 (Audited)	**Terms**	**Conditions**
Subsidiaries						
STI Caloocan						
Reimbursement for various expenses	**₱38,100,864**	₱1,578,915	**(₱299,059,605)**	(₱304,173,866)	30 days from billing or cut-off date; noninterest-bearing	Unsecured
STI Lipa						
Educational services, sale of educational materials and supplies,	**10,948,368**	13,699,003	**115,947,910**	102,461,498	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses	**755,242**	534,802	**45,943,193**	46,403,812	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
STI De Los Santos College						
Reimbursement for various expenses	**1,708**	–	**(47,153,838)**	(47,155,546)	30 days from billing or cut-off date; noninterest-bearing	Unsecured; with provision for impairment
NAMEI						
Rental income and other related charges	**5,566,140**	6,218,506	**84,378,146**	78,812,006	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses	**1,157,078**	434,704	**8,182,195**	12,436,462	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Educational services, sale of educational materials and supplies,	**6,906,535**	7,223,261	–	7,151,999	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
STI Training Academy						
Reimbursement for various expenses	**387,284**	3,187,010	**50,021,328**	49,634,044	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Rental income and other related charges	**1,726,322**	1,516,590	**20,419,448**	18,470,820	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
STI Alabang						
Educational services and sale of educational materials and supplies	**4,097,358**	3,137,400	**43,173,507**	38,627,668	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses	**264,693**	70,577	–	–	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
STI Quezon Avenue						
Rental income and other related charges	**2,571,190**	2,571,190	**25,917,590**	23,037,858	30 days from billing or cut-off date; noninterest-bearing	Unsecured; with provision for impairment
Educational services, sale of educational materials and supplies, management fees, and other charges	**3,759,286**	2,299,902	**14,469,559**	13,709,103	30 days from billing or cut-off date; noninterest-bearing	Unsecured; with provision for impairment
Reimbursement for various expenses	**1,845,967**	1,060,658	**13,619,147**	13,007,159	30 days from billing or cut-off date; noninterest-bearing	Unsecured; with provision for impairment
STI Iloilo						
Reimbursement for various expenses	**–**	–	**19,227,538**	19,227,538	30 days from billing or cut-off date; noninterest-bearing	Unsecured; with provision for impairment

(Forward)

Related Party	Amount of Transactions During the Period: September 30, 2024 (Unaudited)	Amount of Transactions During the Period: September 30, 2023 (Unaudited)	Outstanding Receivable (Payable): September 30, 2024 (Unaudited)	Outstanding Receivable (Payable): June 30, 2024 (Audited)	Terms	Conditions
STI Novaliches						
Educational services, sale of educational materials and supplies, management fees, and other charges	**₱40,312,477**	₱13,252,974	**₱15,619,281**	₱–	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses	**625,120**	3,405,540	**9,537**	3,472,487	30 days from billing or cut-off date; noninterest-bearing	Unsecured
STI Sta. Maria						
Reimbursement for various expenses	**533,866**	444,893	**17,031,191**	19,800,998	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Educational services, sale of educational materials and supplies,	**6,230,867**	6,162,447	**–**	2,051,450	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
NPIM						
Rental income and other related charges	**–**	–	**17,810,251**	28,710,251	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses	**630**	419	**2,941,481**	3,411,862	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
STI Tuguegarao						
Educational services, sale of educational materials and supplies, management fees, and other charges	–	–	**13,136,613**	13,136,613	30 days from billing or cut-off date; noninterest-bearing	Unsecured; with provision for impairment
Reimbursement for various expenses	–	–	**3,914,561**	3,914,561	30 days from billing or cut-off date; noninterest-bearing	Unsecured; with provision for impairment
STI Pagadian						
Reimbursement for various expenses	–	–	**8,986,341**	8,986,341	30 days from billing or cut-off date; noninterest-bearing	Unsecured; with provision for impairment
Educational services, sale of educational materials and supplies	–	–	**5,426,444**	5,426,444	30 days from billing or cut-off date; noninterest-bearing	Unsecured; with provision for impairment
STI Tanauan						
Educational services, sale of educational materials and supplies,	**5,054,867**	4,472,733	**9,586,121**	**–**	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses	**219,916**	260,067	**(1,609)**	5,336,883	30 days from billing or cut-off date; noninterest-bearing	Unsecured
STI Batangas						
Reimbursement for various expenses	**15,452,143**	450,550	**6,783,525**	(9,072,605)	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment

25. Basic and Diluted Earnings (Loss) Per Share (EPS) on Net Income (Loss) Attributed to Equity Holders of the Parent Company

The table below shows the summary of net income (loss) and weighted average number of common shares outstanding used in the calculation of EPS:

	Three-months ended September 30	
	2024	2023
	(Unaudited)	(Unaudited)
Net income (loss) attributable to equity holders of the Parent Company (a)	**₱164,828,426**	(₱21,504,598)
Common shares outstanding at beginning and end of period (b) (see Note 19)	**3,081,877,170**	3,081,877,170
Basic and diluted earnings (loss) per share on net income (loss) attributable to equity holders of the Parent Company (a)/(b)	**₱0.05**	(₱0.01)

The basic and diluted earnings (loss) per share are the same for the three-month periods ended September 30, 2024 and 2023 as there are no dilutive potential common shares.

26. Contingencies and Commitments

Contingencies

a. *Specific Performance Case*. STI College Cebu, Inc. (STI Cebu) and STI ESG's Finance Officer were named defendants 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.

   The Defendants filed the Consolidated Answer to the Amended Complaint on August 30, 2017. In the Consolidated Answer, Defendants asserted that there is no perfected contract to sell or of sale between STI ESG and the Plaintiffs considering that (a) there is no Board approval on the sale of the Subject Property; (b) lack of definite terms and conditions thereof; and (c) STI ESG's Finance Officer has no authority to bind STI ESG on the alleged contract to sell or sale of the Subject Property.

   After the parties completed the presentation of evidence and filed their respective Memoranda, the Defendants received the Decision of the Trial Court on June 22, 2020.

   In the Decision dated June 18, 2020, the Trial Court determined that there was no perfected contract to sell over the Property. The Trial Court affirmed that the Plaintiffs failed to obtain the consent of STI ESG. There was no evidence showing that STI ESG, through its Board of Directors, (a) gave its consent to the sale or (b) authorized Defendant Finance Officer to sell the Property in favor of the Plaintiffs.

   The Trial Court, however, determined that Defendant Finance Officer is liable to pay the Plaintiffs the total amount of ₱0.2 million representing temperate and exemplary damages (Damages). The Trial Court determined that the actions of STI ESG's Finance Officer insofar as (a) receipt of the earnest money, (b) lack of written authority from STI ESG during the negotiation and (c) continued assurances to the Plaintiffs in relation to the BIR ruling on the tax-free exchange and then sudden withdrawal from the transaction constitute bad faith.

Lastly, the Trial Court ordered STI ESG to return the amount of ₱0.3 million it received from the Plaintiffs as "earnest money" with interest rate of 6% per annum from receipt thereof on March 30, 2011 until latter's tender of the same to the Plaintiffs on July 2, 2015.

Both parties filed their respective Partial Motion for Reconsideration insofar as the (a) dismissal of the Complaint and (b) award of Damages.

On August 25, 2020, the Trial Court issued its Order, which modified the Decision only insofar as requiring STI ESG's Finance Officer to pay an additional ₱50.0 thousand as attorney's fees in favor of the Plaintiffs. The rest of the findings in the Decision is affirmed.

Both the Plaintiffs and the Finance Officer filed their respective Notice of Appeal.

On December 1, 2020, STI ESG and the Defendant Finance Officer received the Notice, which requires the Appellants (Plaintiffs and the Defendant Finance Officer) to file their respective Appellant's Brief within forty-five (45) days from receipt of the Notice.

After the parties filed their respective brief(s), STI ESG received the Decision dated February 27, 2023 on March 20, 2023. Based on the Decision, the Court of Appeals affirmed *in toto* the Trial Court's Order(s).

On May 3, 2023, STI ESG received the Motion for Reconsideration filed by the Plaintiffs.

After STI ESG filed its Opposition dated July 14, 2023 to the said Motion for Reconsideration, the Court of Appeals issued its Resolution dated November 6, 2023, which denied the Plaintiffs' Motion for Reconsideration.

On January 8, 2024, STI ESG received the Petition for Review filed by the Plaintiffs before the Supreme Court.

As at November 19, 2024, the Supreme Court has yet to issue the appropriate Resolution on the said Petition insofar as whether to dismiss the same or require STI ESG to file a Comment to the Plaintiffs' Petition for Review.

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

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

After the parties completed the presentation of their respective evidence, STI ESG received the Decision of the Trial Court on February 4, 2020.

In the Decision dated January 16, 2020, the Trial Court dismissed the instant case because the Plaintiffs failed to establish that STI ESG acted in abuse of rights when it refused to renew the Licensing Agreement with the Plaintiffs. The Trial Court confirmed that said Agreement clearly

provided that the same can only be renewed by mutual agreement of the parties.

The Trial Court also ordered the payment by the Plaintiffs of STI ESG's counterclaim in the amount of ₱0.3 million as attorney's fees plus cost of suit.

Despite filing a Motion for Reconsideration, the Trial Court affirmed its dismissal of the Plaintiff's claim and the award of litigation cost in favor of STI ESG in an Order dated July 6, 2020.

On August 3, 2020, STI ESG received the Notice of Appeal filed by the Plaintiff.

After the parties filed their respective briefs, the Court of Appeals promulgated its Decision on July 12, 2022. In the Decision, the Court of Appeals affirmed the order of the Trial Court.

After the Plaintiff filed its Motion for Reconsideration on the said Decision, STI ESG filed its Comment and Opposition on September 5, 2022. The Court of Appeals affirmed its decision when it denied the Motion for Reconsideration filed by the Plaintiff.

On January 11, 2023, STI ESG, through counsel, received the Petition for Certiorari on Review (Petition) filed by the Plaintiff before the Supreme Court.

On September 14, 2023, STI ESG, through counsel, received the Resolution issued by the Supreme Court. In the Resolution, the Supreme Court denied the Petition filed by the Plaintiff.

After the Plaintiff filed its Motion for Reconsideration, the Supreme Court denied the same and affirmed with finality the dismissal of its Petition.

The Supreme Court issued an Entry of Judgment, which declared the dismissal of the plaintiff's Petition to be final and executory.

On November 4, 2024, STI ESG received a Notice from the Trial Court, which informed the parties that the records of the case have been remanded to said court.

Based on these circumstances, STI ESG will file a Motion for Execution and issuance of Writ of Execution for the Plaintiff to pay the amount of ₱0.3 million as attorney's fees plus cost of suit as provided in the Decision dated January 16, 2020.

c. Due to the nature of the Parent Company's business, it is involved in various legal proceedings, both as plaintiff and defendant, from time to time. The majority of outstanding litigation involves illegal dismissal cases under which faculty members have brought claims against the Parent Company by reason of their faculty and/or employment contracts. Management and its legal counsels believe that the Parent Company has substantial legal and factual bases for its position and are of the opinion that losses arising from these legal actions and proceedings, if any, will not have a material adverse impact on the Group's consolidated financial statements.

d. Other subsidiaries also stand as the defendant of various lawsuits and claims filed by their former employees. The complainants are seeking payment of damages such as back wages and attorney's fees. Management and its legal counsels believe that the subsidiaries have substantial legal and factual bases for their position and are of the opinion that losses arising from these legal actions and proceedings, if any, will not have a material adverse impact on the Group's consolidated financial statements.

Commitments

a. Financial Commitments

The Parent Company has ₱65.0 million domestic bills purchase lines from various local banks as at September 30, 2024 and June 30, 2024, specifically for the purchase of local and regional clearing checks. Interest on drawdown from such facility is waived except when drawn against returned checks to which the interest shall be the prevailing lending rate of such local bank. This facility is on a clean basis. As at September 30, 2024 and June 30, 2024, there is no outstanding availment from these lines.

b. Capital Commitments

As of September 30, 2024 and June 30, 2024, STI ESG's significant contractual commitments include: (1) construction of the new building in STI Ortigas-Cainta campus, (2) learning classroom expansion for some schools owned and operated by STI ESG, (3) renovation and rehabilitation project of STI ESG's Tanay property, (4) construction of a three-storey building at STI Lipa, (5) installation of solar panels, and (6) lot acquisition.

STI ESG has an ongoing project to put up a new school building within STI Ortigas-Cainta campus. This construction project has a total contract price of ₱217.3 million, with ₱180.4 million and ₱129.1 million already disbursed as at September 30, 2024 and June 30, 2024, respectively.

As at September 30, 2024, the learning classroom expansion projects for several schools of STI ESG have a total cost of ₱117.6 million, of which payments aggregating to ₱87.7 million and ₱55.9 million have been made as at September 30, 2024 and June 30, 2024, respectively.

The renovation and rehabilitation works at STI ESG's Tanay property has a total contract cost of ₱29.1 million. Total disbursements for this project amounted to ₱26.2 million and ₱21.5 million as at September 30, 2024 and June 30, 2024, respectively.

The construction of a three-storey building at STI Lipa is in full swing. This project has a total contract cost of ₱40.0 million, of which payments aggregating to ₱34.0 million and ₱19.3 million have been made as at September 30, 2024 and June 30, 2024, respectively.

Furthermore, STI ESG has ventured into sustainable initiatives, particularly in solar energy projects. The installation of solar panels, including the roof deck waterproofing activities, at its STI Ortigas-Cainta campus has been completed on November 7, 2023. This project has a total cost of ₱16.7 million, of which ₱14.9 million has been paid as at September 30, 2024 and June 30, 2024. As at September 30, 2024, the Group likewise has completed several solar energy projects in various schools owned and operated by STI ESG. These projects have an aggregate cost of ₱18.5 million, of which ₱5.0 million has been paid as at September 30, 2024 and June 30, 2024.

STI ESG likewise has a contractual commitment with Avida amounting to ₱228.8 million, inclusive of ₱24.7 million VAT, for the parcel of lot located at South Park District, Alabang, Muntinlupa City - the future site of the new STI Academic Center Alabang. Of this amount, ₱126.7 million and ₱45.1 million have been settled as at September 30, 2024 and June 30, 2024, respectively. STI ESG likewise paid ₱9.2 million for taxes and other charges related to the sale in September 2024. The balance of ₱102.1 million is due 16 months after the execution of the Deed of Sale on Installments in September 2024.

c. Others

i. On December 13, 2023, STI ESG and Home Development and Mutual Fund (Pag-IBIG) entered into a MOA on the implementation of Pag-IBIG Health and Education Loan Programs (Pag-IBIG HELPs). Under the loan program, the qualified Pag-IBIG member shall be able to pay his/her beneficiary's educational-related expenses to STI ESG at a special discount rate of 20% of the tuition fee, subject to the terms and conditions of the program as follows:

- Entitled to the discount are Pag-IBIG Fund members and their immediate family members;
- The discount is applicable to tuition fees only of incoming college and senior high school students and transferees for tertiary programs and senior high tracks, and specializations; and
- The discount cannot be availed in conjunction with another promo/discount.

ii. On December 17, 2018, the CHED, Unified Student Financial Assistance System for Tertiary Education Board (UniFAST) and STI ESG signed a MOA to avail of the Tertiary Education Subsidy (TES) and Student Loan Program (SLP) for its students under the Universal Access to Quality Tertiary Education Act (UAQTEA) and its Implementing Rules and Regulations (IRR). RA No. 10931 or the UAQTEA and its IRR provide among others, that to support the cost of tertiary education or any part or portion thereof, TES and SLP are established for all Filipino students who shall enroll in undergraduate and post-secondary programs of private HEIs. Accordingly, the TES and the SLP shall be administered by the UniFAST Board.

Based on RA No. 10931, the annual TES for students, subject to guidelines and implementing rules and regulations on the release of TES, enrolled in SUCs or CHED recognized LUCs is ₱40.0 thousand. Students enrolled in select private HEIs who are qualified to receive the TES, are entitled to ₱60.0 thousand. The TES sharing agreement states that ₱40.0 thousand shall go to the TES student grantee and ₱20.0 thousand to the private HEI. The subsidy is for Tuition and other related school fees and should cover the living allowance, books, supplies, transportation and miscellaneous expense. Additional benefits are likewise given to Persons with Disabilities (PWDs) and graduates of programs with licensure exams amounting to ₱30.0 thousand per annum and ₱10.0 thousand, respectively. Under the TES program, CHED pays directly the schools where these students enrolled.

In July 2023, UniFast issued Memorandum Circular No. 5 for the allocation of funds for new TES grants. Qualified student grantees for SY 2021-2022 from private HEIs in cities and municipalities without SUCs or LUCs, shall receive ₱40.0 thousand for the second semester of SY 2022-2023 to cover their full or partial payables for tuition and other school fees. Thereafter, qualified grantees shall be considered as continuing grantees, subject to validation, for the first semester of SY 2023-2024 onwards shall receive a subsidy rate of ₱20.0 thousand per school year or ₱10.0 thousand per semester to cover the full or partial cost of tuition and other school fees. In case the tuition and other school fees is lower than ₱10.0 thousand per semester, the difference shall be given to the student. Administrative support cost remain at 1% of the total grant. Continuing TES grantees for the second semester of SY 2022-2023 shall receive ₱60.0 thousand per school year or ₱30.0 thousand per semester until they graduate. New TES grantees who are Persons with Disabilities (PWDs) shall receive an additional subsidy of ₱30.0 thousand per school year or ₱15.0 thousand per semester. New TES grantees for the first semester of SY 2023-2024 shall receive ₱20.0 thousand per school year or ₱10.0 thousand per semester to cover the full or partial cost of tuition and other school fees. New TES grantees who are Persons with Disabilities (PWDs) shall receive an additional subsidy of ₱10.0 thousand per school year or ₱5.0 thousand per semester.

The qualified TES graduates for SY 2022-2023 onwards, in courses requiring licensure examinations shall receive a maximum one-time reimbursement of ₱8.0 thousand to cover the full or partial cost of taking the said licensure examinations.

iii. On March 17, 2021, STI ESG executed a Memorandum of Agreement (MOA) with DBP for the implementation of the DBP Resources for Inclusive and Sustainable Education Program (DBP RISE). The program grants financial assistance to deserving students from the ranks of underprivileged Filipino families who aspire to pursue studies in DBP-accredited public and private tertiary schools. DBP RISE covers (1) the total cost of tuition fees for all year levels of the entire course or program based on the partner school's tuition fee structure which is determined at the beginning of the first term of the course or program starting SY 2020-2021, and (2) student support fund which covers other school fees, miscellaneous fees, and living allowance that will be determined and set by DBP. STI ESG and DBP executed a similar MOA in November 2021 and May 2023 covering the implementation of DBP RISE for deserving students enrolled starting SY 2021-2022, SY 2022-2023, SY 2023-2024.

27. Changes in Liabilities Arising from Financing Activities

	June 30, 2024	Cash Flows	Gain on early extinguishment of loan	Interest Expense[1]	Reclassified as Current	New/Renewed Leases[(b)]	September 30, 2024
Current portion of interest-bearing loans and borrowings	**₱536,274,021**	**(₱270,000,000)**	**₱–**	**₱928,621**	**₱269,025,358**	**₱–**	**₱536,228,000**
Bonds payable	**814,967,275**	**–**	**–**	**423,980**	**–**	**–**	**815,391,255**
Interest-bearing loans and borrowings – net of current portion	**1,549,840,391**	**–**	**–**	**–**	**(269,025,358)**	**–**	**1,280,815,033**
Lease liabilities	**315,034,072**	**(32,115,420)**	**–**	**5,981,751**	**–**	**14,410,348**	**303,310,751**
Dividends payable	**18,000,539**	**(53,280)**	**–**	**–**	**–**	**–**	**17,947,259**
Interest payable[1]	**49,507,925**	**(99,255,371)**	**–**	**55,557,171**	**–**	**–**	**5,809,725**
	₱3,283,624,223	**(₱401,424,071)**	**₱–**	**₱62,891,523**	**₱–**	**₱14,410,348**	**₱2,959,502,026**

[1]Interest expense is inclusive of amortization of deferred finance charges.
[2]Net of lease termination.

	June 30, 2023	Cash Flows	Gain on early extinguishment of loan	Interest Expense[1]	Reclassified as Current	New/Renewed Leases	September 30, 2023
Current portion of interest-bearing loans and borrowings	₱183,042,276	(₱212,095,670)	₱–	₱–	₱270,005,193	₱–	₱240,951,799
Bonds payable	2,988,422,984	–	–	2,054,843	–	–	2,990,477,827
Interest-bearing loans and borrowings – net of current portion	748,861,025	–	(3,076,457)	(95,861)	(270,005,193)	–	475,683,514
Lease liabilities	335,735,940	(30,440,915)	–	5,471,854	–	14,055,173	324,822,052
Dividends payable	15,161,749	–	–	–	–	–	15,161,749
Interest payable[1]	21,499,453	(76,026,559)	–	60,280,683	–	–	5,753,577
	₱4,292,882,427	(₱318,563,144)	(₱3,076,457)	₱67,711,519	₱–	₱14,055,173	₱4,052,850,518

[1]Interest expense is inclusive of amortization of deferred finance charges and net of premium on interest-bearing loans and borrowings

28. Fair Value Information of Financial Instruments

The principal financial instruments of the Group comprise cash and cash equivalents and interest-bearing loans and borrowings. The main purpose of these financial instruments is to raise working capital and major capital investment financing for the Group's school operations. The Group has various other financial assets and liabilities such as receivables, accounts payable and other current liabilities which arise directly from its operations.

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

Cash and Cash Equivalents, Receivables and Accounts Payable and Other Current Liabilities. Due to the short-term nature of transactions, the fair values of these instruments approximate the carrying amounts as at financial reporting date.

Rental and Utility Deposits. The fair values of these instruments are computed based on the present value of future cash flows discounted using the prevailing BVAL reference rates that are specific to the tenor of the instruments' cash flows at the end of the reporting period.

Equity instruments designated at FVPL and FVOCI. The fair values of publicly traded equity instruments at FVPL and FVOCI, classified under Level 1, are determined by reference to market bid quotes as at financial reporting date. The fair values of unquoted shares are determined using valuation techniques with inputs and assumptions that are based on market observable data and conditions. Such techniques include using recent arm's-length market transactions and reference to the current market value of another instrument which is substantially the same.

Interest-bearing Loans and Borrowings. The estimated fair value is based on the discounted value of future cash flows using the prevailing credit adjusted risk-free rates that are adjusted for credit spread.

Refundable Deposits. The fair values of the refundable deposits are computed based on the present value of future cash flows discounted using the prevailing BVAL reference rates that are specific to the tenor of the instruments' cash flows at the end of the reporting period.

Management believes that the fair values of deposits, bonds payable and other noncurrent liabilities as at September 30, 2024 do not significantly differ from the fair values of these financial instruments as at June 30, 2024.

29. Notes to the Consolidated Statements of Cash Flows

The Group's material noncash investing and financing activities pertain to the following:

a. Additions to ROU assets presented under "Property and equipment" amounted to ₱28.3 million and ₱14.6 million for the three-month periods ended September 30, 2024 and 2023, respectively. Termination of lease agreement accounted for under PFRS 16 for one of the schools owned and operated by STI ESG in 2024 resulting in the reversal of ROU asset and lease liability of ₱13.9 million (see Note 10).

b. Unpaid progress billing for construction-in-progress presented under "Property and equipment" amounted to ₱67.9 million and ₱5.8 million as at September 30, 2024 and 2023, respectively (see Notes 10 and 18).

c. Reclassification from "Other noncurrent assets", pertaining to advances to suppliers, to "Property and equipment" amounted to ₱4.9 million and ₱10.9 million for the three-month periods ended September 30, 2024 and 2023, respectively (see Notes 10 and 14).

d. Reclassification from "Other noncurrent assets", pertaining to deposit for asset acquisition, to "Property and equipment" amounted to ₱20.4 million for the three-month period ended September 30, 2024 (see Notes 10 and 14).

e. Other Noncurrent Liability amounting to ₱102.1 million represents the outstanding installment balance of STI ESG for the acquisition of a parcel of land at South Park District, Alabang, Muntinlupa City. This liability is due 16 months after the Deed of Sale on Installments was executed in September 2024 (see Notes 10 and 18).

30. Other Matters

On February 27, 2024, the BOD of STI Holdings ratified the execution of a term sheet between STI Holdings and Philippine School of Business Administration (PSBA Manila) and Philippine School of Business Administration, Inc. - Quezon City (PSBA Quezon City) or collectively referred to as "PSBA". The term sheet covers the takeover by STI Holdings of the operations of PSBA as well as the acquisition of licenses, trademarks, trade names, and school-related assets owned by PSBA (the "transaction").

The term sheet and the implementation of the transaction are subject to several conditions including, among others, the execution of mutually acceptable definitive agreements, fulfillment of the conditions precedent, approval of the stockholders of PSBA, and regulatory approvals.

On May 2, 2024, STI ESG entered into a Contract to Sell with PSBA Manila for the sale and purchase of a 3,000 square meter parcel of land located at Aurora Boulevard, Quezon City (referred to as the "Subject Property"). The sale and purchase of the Subject Property is subject to regulatory approvals and the fulfillment of certain conditions precedent. Subject to regulatory approvals and upon fulfillment of such conditions precedent, STI ESG and PSBA Manila shall execute a Deed of Absolute Sale over the Subject Property.

On May 2, 2024, STI Holdings and PSBA also executed the Right of First Refusal Agreement as STI Holdings has the right of first refusal in the event that PSBA intends to sell the PSBA properties. PSBA Manila is the registered and beneficial owner of a parcel of land, together with the improvement thereon, located at R. Papa St., Manila (the "PSBA Manila Property"). PSBA Manila is also the registered and beneficial owner of two parcels of land, together with improvements thereon, located at Aurora Boulevard, Quezon City.

On the same date, STI Novaliches entered into an Asset Purchase Agreement with PSBA for the acquisition by STI Novaliches of the tangible and intangible assets of PSBA (collectively, the "School Related Assets") used or relating to the operation by PSBA of its schools located in Manila and Quezon City. The sale and purchase of School Related Assets is subject to regulatory approvals and the fulfillment of certain conditions. Subject to regulatory approvals and the fulfillment of certain conditions, STI Novaliches and PSBA shall execute Deeds of Assignment for the sale and purchase of the School Related Assets.

As at November 19, 2024, the conditions precedent and regulatory approvals for the aforementioned agreements have not been fulfilled.

On May 30, 2024, STI ESG and PSBA executed a Management Agreement appointing STI ESG to manage the operations of PSBA schools with the goal of increasing enrollment as well as promoting PSBA as one of the leading educational institutions in the Philippines for accountancy and business programs. STI ESG shall provide the management services starting July 1, 2024 for PSBA Quezon City and starting

August 1, 2024 for PSBA Manila. The management services will be for a period of three years counting from the management commencement date.

STI ESG shall perform the following obligations, among others, (1) provide management services including, but not limited to, marketing and advertising efforts, administering teaching and nonteaching staff deployed in each of the PSBA schools, maintaining school records and providing such other administrative and support services required for the effective operations of PSBA schools; (2) enter into contracts for and on behalf of PSBA with third parties without need of consent of PSBA; (3) liaise with local government units and government agencies in relation to the management and operations of PSBA schools; (4) apply for and obtains permits and licenses for PSBA schools.

PSBA Manila and PSBA Quezon City shall each pay management fees to STI ESG equivalent to 26.0% of the gross revenues of PSBA Manila and PSBA Quezon City, respectively.

The management agreement may be extended provided that (i) such extension shall be subject to mutual agreement of the Parties; (ii) STI ESG shall be entitled to use the PSBA Manila and Quezon City properties rent-free during the extended management period, and (iii) the same terms and conditions shall apply during the extended management period unless otherwise agreed upon by the Parties in writing.

On September 23, 2024, PSBA informed STI Holdings that a third party had offered to purchase the PSBA Manila Property. On October 2, 2024, STI Holdings informed PSBA that it intended to exercise its right of first refusal over the PSBA Manila Property under the same terms and conditions offered by the third party. As at November 19, 2024, STI Holdings has yet to receive the reply of PSBA.

Financial Highlights and Key Performance Indicators
(in millions except margins, financial ratios and earnings per share)

	September 2024 (Unaudited)	June 2024 (Audited)	September 2024 vs June 2024 Amount	%
Condensed Statements of Financial Position				
Total assets	12,952.8	11,221.0	1,731.8	15%
Current assets	3,240.0	1,793.3	1,446.7	81%
Cash and cash equivalents	1,340.6	1,191.7	148.9	12%
Total liabilities	5,686.9	4,224.3	1,462.6	35%
Current liabilities	3,170.9	1,428.5	1,742.4	122%
Total Equity	7,265.9	6,996.7	269.2	4%
Equity attributable to equity holders of the parent company	7,269.0	6,999.7	269.3	4%
Financial Ratios				
Debt to equity ratio [1]	0.53	0.59	(0.06)	-10%
Current ratio [2]	1.02	1.26	(0.24)	-19%
Debt service cover ratio[10]	3.00	2.39	0.61	26%
Interest coverage ratio	11.67	9.37	2.30	25%
Asset to equity ratio [3]	1.78	1.60	0.18	11%

	Three months ended September 30			
	2024	2023	2024 vs 2023	
	(Unaudited)		Amount	%
Condensed Statements of Income				
Revenues	772.6	480.2	292.4	61%
Direct costs [4]	245.9	204.7	41.2	20%
Gross profit	526.7	275.5	251.2	91%
Operating expenses	328.5	288.8	39.7	14%
Operating income (loss)	198.2	(13.3)	211.5	-1590%
Other expenses - net	(16.3)	(14.3)	(2.0)	14%
Income (loss) before income tax	181.9	(27.6)	209.5	-759%
Net income (loss)	164.7	(21.8)	186.5	-856%
EBITDA [5]	329.5	115.9	213.6	184%
Core Income [6]	157.4	(40.2)	197.6	-492%
Net income (loss) attributble to equity holders of the parent company	164.8	(21.5)	186.3	-867%
Earnings (loss) per share [7]	0.05	(0.01)	0.060	-600%
Financial Soundness Indicators				
Consolidated Condensed Statements of Cash Flows				
Net cash from operating activities	736.4	725.1	11.3	2%
Net cash provided by (used in) investing activities	(186.0)	(74.2)	(111.8)	151%
Net cash provided by (used in) financing activities	(401.4)	(318.6)	(82.8)	26%
Effect of exchange rate changes on cash and cash equivalents	(0.1)	13.7	(13.8)	-101%

	As at/Three months ended September 30		Increase (Decrease)	
	2024	2023		
	(Unaudited)		Amount	%
Liquidity Ratios				
Current ratio [(2)]	1.02	0.75	0.27	36%
Acid test ratio [(8)]	0.94	0.70	0.24	34%
Cash ratio [(9)]	0.42	0.41	0.01	2%
Solvency ratios				
Debt to equity ratio [(1)]	0.53	0.73	(0.20)	-27%
Asset to equity ratio [(3)]	1.78	2.02	(0.24)	-12%
Debt service cover ratio [(10)]	3.00	0.49	2.51	512%
Interest coverage ratio [(11)]	11.67	7.17	4.50	63%
Profitability ratios				
EBITDA margin [(12)]	43%	24%	0.19	79%
Gross profit margin [(13)]	68%	57%	0.11	19%
Operating profit margin [(14)]	26%	-3%	0.29	-967%
Net income (loss) margin [(15)]	21%	-5%	0.26	-520%
Return on equity[(16)]	10%	0%	0.10	-3125%
Return on assets[(17)]	5%	0%	0.05	-2778%

(1) *Debt-to-equity ratio is measured as total liabilities, net of 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, interest income, depreciation and amortization, equity in net earnings (losses) of associates and joint ventures, gain (loss) foreign exchange differences, fair value gain (loss) on equity instruments at FVPL, and nonrecurring gains such as gain on early extinguishment of loan, gain on disposal of shares held in an associate, and gain on termination of lease.*

(6) *Core income is computed as consolidated net income (loss) after tax derived from the Group's main business – education and other recurring income.*

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

(8) *Acid test ratio is measured as current assets less inventories and prepayments divided by current liabilities.*

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

(10) *Debt service cover ratio is measured as EBITDA for the last twelve months divided by total principal and interest cover those due for the immediately succeeding twelve months (see Note 16 of the unaudited condensed interim consolidated financial statements).*

(11) *Interest coverage ratio is measured as EBITDA for the last twelve months divided by interests due in the next twelve months.*

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

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

(14) *Operating profit (loss) margin is measured as operating profit (loss) divided by total revenues.*

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

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

(17) *Return on assets is measured as net income (loss) [annualized] divided by average total assets.*

STI EDUCATION SERVICES GROUP, INC.
AGING OF ACCOUNTS RECEIVABLES
AS OF SEPTEMBER 30, 2024

TYPE OF ACCOUNTS RECEIVABLE	TOTAL	1-30 DAYS	31-60 DAYS	61-90 DAYS	OVER 90 DAYS
Current receivables	1,640,379,657	1,363,186,152	76,485,549	21,670,175	179,037,781

TYPE OF ACCOUNTS RECEIVABLE	NATURE	DESCRIPTION
Current receivables	Tuition fees and other current receivables	Monthly

ANNEX "B"

STI EDUCATION SERVICES GROUP, INC.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

STI Education Services Group, Inc. (STI ESG or the Parent Company) and its subsidiaries (hereafter collectively referred to as the "Group") are all incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC). The Parent Company was incorporated on June 2, 1983.

STI ESG began with a goal of training as many Filipinos as possible in computer programming and addressing the information technology education needs of the Philippines. Starting as a training center, STI ESG initially offered short-term computer programming courses that were patterned to satisfy the demand of college graduates and working professionals who wanted to learn more about emerging computer technology.

Shortly after, STI ESG's campuses began to grow as it started granting franchises in other locations within Metro Manila, which soon expanded to other key areas in Luzon, Visayas, and Mindanao.

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 roll out four-year college programs starting with the Bachelor of Science (BS) 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, Accountancy, Engineering, Education, Hospitality Management, Tourism Management, and Arts and Sciences. STI ESG is also offering Senior High School (SHS) while select schools offer Junior High School (JHS). In School Year (SY) 2022-2023, STI ESG began offering Bachelor of Arts in Psychology and Bachelor of Science in Criminology in certain schools in the network.

On August 5, 2022, CHED approved the transfer of school operations of STI College Quezon Avenue (STI Quezon Avenue) to Tanay, Rizal subject to compliance with certain requirements. Earlier, in September 2020, STI Quezon Avenue announced the suspension of its operations. In September 2022, CHED granted STI Quezon Avenue government recognitions to offer BS in Business Administration, BS in Tourism Management and BS in Hospitality Management. The government recognition to offer BS in Information Technology was issued in October 2022. The government recognitions received in 2022 replaced the government recognitions issued by CHED in 2009 due to the transfer of location of STI Quezon Avenue from Quezon City to Tanay, Rizal. STI Quezon Avenue has resumed operations on its new site in Tanay, Rizal beginning SY 2022-2023.

In a meeting held on November 29, 2022, the BOD of STI Quezon Avenue approved the amendments in its Articles of Incorporation and By-Laws as follows: (1) change of corporate name from "STI College Quezon Avenue, Inc." to "STI Colleges of Rizal, Inc.", (2) have perpetual existence, (3) change of fiscal year beginning July 1 of each year and ending on June 30 of the following year, among others. On November 12, 2024, the SEC approved the change of corporate name from "STI College Quezon Avenue, Inc." to "STI Colleges of Rizal, Inc.," along with the aforementioned amendments. .

As at November 19, 2024, STI ESG has a network of 63 operating schools comprising of 60 colleges and 3 education centers. Of the total number of schools, STI ESG owns 37 schools while franchisees operate 26 schools.

STI ESG's total student capacity aggregates to 146,585 students, with 103,123 pertaining to owned schools and 43,462 for franchised schools.

STUDENT POPULATION

The enrollment figures of the Group in SY 2024-2025 demonstrate a significant increase of 17.0%, with total enrollment reaching 121,374 compared to approximately 104,000 enrollees in SY 2023-2024. The number of new students enrolled in SY 2024-2025 reached nearly 49,000, almost at par with the new student enrollees for SY 2023-2024. Total enrollment in programs regulated by CHED registered a remarkable 21% increase, climbing to over 86,000 students from 71,159 in SY 2023-2024.

The enrollment figures are as follows:

	SY 2024-2025	**SY 2023-2024**	**Increase**	
			Enrollees	**Percentage**
Owned schools	84,122	71,782	12,340	17%
Franchised schools	37,252	32,200	5,052	16%
Total Enrollees	**121,374**	**103,982**	**17,392**	**17%**

The grouping of students according to the government regulatory agencies overseeing the programs is outlined as follows:

- CHED - students under this group are enrolled in tertiary programs;
- TESDA - students under this group are enrolled in technical-vocational programs; and
- DepEd – pertains to primary and secondary education, including JHS and SHS.

	SY 2024-2025	**%**	**SY 2023-2024**	**%**
CHED	86,447	71%	71,159	68%
TESDA	1,760	2%	1,682	2%
DepEd*	33,167	27%	31,141	30%
TOTAL	**121,374**	100%	**103,982**	100%

**For SY2024-2025, DepEd count includes 32,501 SHS students and 666 JHS students while for SY2023-2024, count includes 30,674 SHS students and 467 JHS students.*

In SY 2024-2025, classes across all levels started on August 12, 2024 while for SY 2023-2024, classes started on August 29, 2024. Classes are held onsite across all levels for both school years.

The Group continuously ensures adherence to the guidelines set by CHED, DepEd, local government units (LGUs), and all pertinent agencies that have released information and guidance on the conduct of face-to-face classes.

FINANCIAL REVIEW

This discussion summarizes the significant factors affecting the operating results of the Group for the three-month periods ended September 30, 2024 and 2023 and financial condition as at September 30, 2024 and June 30, 2024 of STI Education Services Group, Inc. and its subsidiaries. The following discussions should be read in conjunction with the attached unaudited interim condensed consolidated financial statements of the Group as at and for the period ended September 30, 2024. All necessary adjustments have been made to present fairly the financial position of the Group as at September 30, 2024 and June 30, 2024 and results of operations and cash flows for the three-month periods ended September 30, 2024 and 2023.

The Group's business is linked to the academic cycle. The academic cycle, which is one academic year, begins in August and ends in June of the following year. The core business and revenues of the Group, which are mainly from tuition and other school fees, are recognized as income over the corresponding school term(s) to which they pertain. Accordingly, revenue is expected to be lower during the first quarter of its fiscal year compared to the other quarters if the number of enrollees remains constant. This information is provided to allow for a proper appreciation of the results of operations of the Group.

I. RESULTS OF OPERATIONS

Three-month period ended September 30, 2024 vs. three-month period ended September 30, 2023

For the three-month period ended September 30, 2024, the Group generated gross revenues amounting to ₱772.6 million, higher by 61% or ₱292.4 million from ₱480.2 million of the same period of the previous year. The Group recognized earned revenues equivalent to one and a half month for the three-month period ended September 30, 2024 compared to just one month in the prior year as classes for SY 2024-2025 commenced around mid-August, earlier than the end of August start date for SY 2023-2024. The increase likewise was driven by the remarkable increase in the total number of students of the Group for SY 2024-2025. Gross profit likewise increased by 91% or ₱251.2 million year-on-year from ₱275.5 million to ₱526.7 million. Gross profit margin likewise increased from 72% for the three-month period ended September 30, 2023 to 81% for the three-month period ended September 30, 2024.

The Group recorded an operating income for the three-month period ended September 30, 2024 amounting to ₱198.2 million, a turn-around from an operating loss of ₱13.3 million for the same period last year. The Group recognized a net income of ₱164.7 million this quarter, reversing the net loss of ₱21. 7 million for the three-month period ended September 30, 2023.

Earnings before interest, taxes, depreciation, and amortization or EBITDA, amounted to ₱329.5 million for the three-months period ended September 30, 2024 compared to ₱115.9 million for the same period last year. EBITDA for the three-month periods ended September 30, 2024 and 2023 is computed as earnings (losses) before interest expense, interest income, provision for (benefit from) income tax, depreciation and amortization, equity in net earnings

(losses) of associates and joint venture, gain(loss) on foreign exchange differences, fair value gain(loss) on equity instruments at FVPL, nonrecurring gains such as gain on early extinguishment of loan, gain on disposal of shares held in an associate, and gain on termination of lease. Gains recognized from the disposal of shares held in an associate, and termination of lease were reported as part of "Other income". Depreciation and interest expenses for purposes of this computation exclude those related to Right-of-Use (ROU) assets and lease liabilities, respectively. EBITDA margin for the three-month period ended September 30, 2024 is 43%, compared to 24% for the same period last year due to reasons cited above.

II. FINANCIAL CONDITION

The Group posted consolidated total assets of ₱12,952.8 million as at September 30, 2024, up from ₱11,221.0 million as at June 30, 2024. This increase was primarily driven by growth in cash and cash equivalents, receivables, and property and equipment.

(Amounts in Peso millions)	**Sept 30, 2024**	**June 30, 2024**	**Increase (Decrease) Amount**	%
Total Current Assets	3,240.0	1,793.3	1,446.7	81%
Total Noncurrent Asset	9,712.8	9,427.7	285.1	3%
Total Assets	12,952.8	11,221.0	1,731.8	15%
Total Current Liabilities	3,170.9	1,428.5	1,742.4	122%
Total Noncurrent Liabilities	2,516.0	2,795.8	(279.8)	-10%
Total Liabilities	5,686.9	4,224.3	1,462.6	35%
Total Equity	7,265.9	6,996.7	269.2	4%
Total liabilities and equity	12,952.8	11,221.0	1,731.8	15%

Cash and cash equivalents increased by ₱148.9 million or 13% from ₱1,191.7 million to ₱1,340.6 million as at June 30, 2024 and September 30, 2024, respectively, attributed largely to the tuition and other school fees for SY 2024-2025 collected during the quarter. This reflects the Group's profitable operations and improved collection efficiency.

Total receivables is up by ₱1,293.2 million from ₱347.2 million as at June 30, 2024 to ₱1,640.4 million as at September 30, 2024. This receivables balance consists primarily of amounts expected to be collected from students as payment for tuition and other school fees, as well as from DepEd for the SHS vouchers that are expected to be received during the remaining months of the school year.

Prepaid expenses increased by ₱9.9 million or 10%, from ₱98.8 million to ₱108.7 million as at September 30, 2024. This increase was primarily driven by higher prepaid insurance and other prepaid expenses, which were partially offset by decreases in prepaid subscriptions and licenses, and advances to suppliers.

The carrying value of the equity instruments designated at FVPL amounted to ₱9.1 million as at September 30, 2024 compared to ₱8.1 million as at June 30, 2024. These equity instruments pertain to STI ESG's investment in quoted equity shares of RL Commercial REIT, Inc. (RCR), a real estate investment trust (REIT) company listed on the Philippine Stock Exchange.

Property and equipment increased by ₱298.8 million, net of accumulated depreciation, from ₱7,548.6 million as at June 30, 2024 to ₱7,847.4 million as at September 30, 2024, substantially attributed to STI ESG's acquisition of a parcel of lot in Alabang, Muntinlupa City and

construction of new buildings, solar panel installation, classroom expansion, and various renovation and rehabilitation projects in schools owned and operated by STI ESG.

Deferred tax assets (DTA) increased by ₱30.5 million from ₱34.0 million as at June 30, 2024 to ₱64.5 million as at September 30, 2024, largely representing taxes due on tuition and other school fees collected in advance. In accordance with statutory regulations, tuition and other school fees which are collected in advance are subject to income tax upon receipt.

Total current liabilities increased by ₱1,742.4 million, from ₱1,428.5 million to ₱3,170.9 million as at June 30, 2024 and September 30, 2024, respectively, mainly due to the increase in unearned tuition and other school fees by ₱1,722.3 million from ₱93.0 million to ₱1,815.3 million as at September 30, 2024. These unearned revenues will be recognized as income over the remaining months of the related school term(s).

Total noncurrent liabilities decreased by ₱279.7 million to ₱2,516.0 million as at September 30, 2024 from ₱2,795.7 million as at June 30, 2024 attributed to the reclassification of a portion of noncurrent interest-bearing loans and borrowings, reflecting the principal amount due within the next twelve months to current interest-bearing loans and borrowings.

Total equity increased from ₱6,996.7 million as at June 30, 2024 to ₱7,265.9 million as at September 30, 2024 reflecting the Group's net income for the three-month period ended September 30, 2024. This includes the deposits for future stock subscription for STI Novaliches and STI Training Academy which were reclassified from liability to equity section upon meeting the required conditions for classification under the equity section.

III. TOP FIVE (5) KEY PERFORMANCE INDICATORS

The key performance indicators (KPIs) of the Group cover tests of profitability, liquidity, and solvency. Profitability refers to the Group's earning capacity and ability to earn income for its stockholders. This is measured by profitability ratios analyzing margins and returns. Liquidity refers to the Group's ability to pay its short-term liabilities as and when they fall due. Solvency refers to the Group's ability to pay all its debts when they fall due, whether such liabilities are current or noncurrent. The top five (5) KPIs of the Group include:

		As at/Three-month periods ended September 30		
		2024	**2023**	**Remarks**
EBITDA margin	EBITDA divided by total revenues.	43%	24%	EBITDA margin improved in 2024 as compared to the same period in 2023 mainly due to increase in revenues arising from earlier start of SY 2024-2025 and higher number of enrollees.
Gross profit margin	Gross profit divided by total revenues	68%	57%	Gross profit margin improved due to economies of scale, as revenues increased at a faster rate than costs.

		As at/Three-month periods ended September 30		
		2024	2023	Remarks
Return on equity (ROE)	Net income (loss) attributable to equity holders of the Parent Company divided by average equity attributable to equity holders of the Parent Company	10%	0%	ROE improved as revenues increased while costs and operating expenses increased at a slower rate. Return on Equity (ROE) is expected to be lower in the first quarter of both fiscal years, reflecting the Group's seasonality of operations.
Debt-to-equity ratio (D/E ratio)[1]	Total liabilities, net of unearned tuition and other school fees, divided by total equity	0.53	0.73	D/E ratio improved due to principal payments made by STI ESG on its Term Loans and the full redemption of the series 7-year bonds in March 2024.
Current ratio	Current assets divided by current liabilities	1.02	0.75	The Group ensures that it has adequate current assets to cover its current obligations. STI ESG's current liabilities as at September 30, 2023 is higher than its current assets for the same period with the maturity of STI ESG's 7-year bonds in March 2024. STI ESG's 7-year bonds were fully redeemed in March 2024 using internally generated funds and long-term borrowings.

The Group likewise monitors its financial covenants in accordance with the provisions under its loans and trust Agreements.

[1] D/E ratio under the Term Loan Agreements with Chinabank, and Metrobank must not exceed 1.5:1, while D/E ratio under the Term Loan Agreement with BPI must not be more than 2.5:1.00.

[2] DSCR under the Term Loan Agreements with Chinabank, BPI and Metrobank must not be lower than 1.05:1.00. For China Bank, DSCR is tested every December 31 and June 30 of each year while for BPI and Metrobank, this is tested on June 30 of each year

[3] ICR under the Trust Agreement must not be lower than 3.00:1.00

		June 2024	Remarks
D/E ratio[1]	Total liabilities, net of unearned tuition and other school fees, divided by total equity	0.59	D/E ratio improved from 0.79 in June 2023 due to principal payments made by STI ESG on its Term Loans and the full redemption of the series 7-year bonds in March 2024.
DSCR[2]	EBITDA for the last twelve months divided by total principal and interest due in the next twelve months.	2.39	The minimum DSCR set by management, the lender banks, and STI ESG bondholders is 1.05 of cash income (EBITDA) for every peso of loans and interest due within the next 12 months (see note below).
ICR	EBITDA for the immediately preceding twelve months divided by interest due in the next twelve months	9.37	ICR is well within the threshold set under the Second Supplemental Trust Agreement.

The Term Loan Agreement with Chinabank prescribes that the financial covenants shall be observed and computed based on STI ESG's unaudited interim consolidated financial statements as at and for the six-month period ending December 31 of each year and based on the audited consolidated financial statements as at and for the year ending June 30 of each year. The term loan agreements with BPI and Metrobank prescribe that the financial covenants shall be observed and computed annually based on STI ESG's audited consolidated financial statements as at and for the year ending June 30 of each year.

As at September 30, 2024 and June 30, 2024, STI ESG is compliant with the aforementioned financial covenants, following the respective agreements, (see Notes 16 and 17) of the unaudited interim condensed consolidated financial statements).

IV. MATERIAL CHANGES IN BALANCE SHEET ACCOUNTS

Cash and cash equivalents increased by ₱148.9 million from ₱1,191.7 million to ₱1,340.6 million as at June 30, 2024 and September 30, 2024, respectively, primarily attributable to the Group's profitable operations and improved collection efficiency. The Group generated cash from operating activities aggregating to ₱736.4 million during the three-month period ended

September 30, 2024. The collection of tuition and other school fees during the three-month period ended September 30, 2024 was the primary contributor to the increase in net cash generated from operating activities. These funds were utilized to pay the second installment for the acquisition of a parcel of lot located at South Park District, Alabang, Muntinlupa City, and the contractor for the new building construction at STI Ortigas-Cainta. Cash outflows for investing activities at ₱186.0 million likewise include expenditures related to solar panel installations, classroom expansion projects, and acquisition of various equipment and furniture for the schools owned and operated by STI ESG. The Group registered ₱401.4 million net cash used in financing activities substantially representing scheduled principal payments of STI ESG Term Loans with Chinabank, BPI and Metrobank aggregating to ₱270.0 million. This likewise includes interest payments largely for STI ESG's Term Loans and coupon payments for STI ESG's bond issue aggregating to ₱99.3 million during the three-month period ended September 30, 2024.

Receivables increased to ₱1,640.4 million as at September 30, 2024 or by ₱1,293.1 million, more than threefold of the receivable balance as at June 30, 2024 amounting to ₱347.2 million. Receivables from students rose by ₱895.1 million from ₱279.0 million to ₱1,174.1 million, reflecting tuition and other school fees that are expected to be collected from the students over the remaining months of the related school term(s).

Receivables from DepEd likewise increased to ₱410.0 million as at September 30, 2024 from ₱16.6 million as at June 30, 2024. The SHS Voucher Program is a financial assistance program wherein subsidies in the form of vouchers are provided to qualified SHS students who are enrolled in a "non-DepEd SHS". A non-DepEd SHS refers to an educational provider not directly operated by DepEd but granted by DepEd with a permit or government recognition to operate SHS. This includes private schools, private colleges and universities; state universities and colleges (SUCs), local universities and colleges (LUCs); and technical and vocational institutions offering SHS. A Qualified Voucher Recipient (QVR) in participating private institutions is entitled to a subsidy ranging from ₱14,000 to ₱22,500 annually. DepEd, through the Private Education Assistance Committee, facilitates the transfer of funds to the participating schools.

Receivables related to DBP Resources for Inclusive and Sustainable Education Program (DBP RISE) amounted to ₱1.7 million and ₱2.2 million as at September 30, 2024 and June 30, 2024, respectively. DBP RISE covers: (1) the total cost of tuition fees for all year levels of the entire course or program based on the partner school's tuition fee structure which is determined at the beginning of the first term of the course or program, and (2) student support fund which covers other school fees, miscellaneous fees, and living allowance that will be determined and set by DBP.

Receivables from CHED for the Tertiary Education Subsidy (TES) amounted to ₱1.8 million as at September 30, 2024 from ₱1.4 million as at June 30, 2024. Under the Universal Access to Quality Tertiary Education Act (UAQTEA) or RA No. 10931, and its Implementing Rules and Regulations (IRR), students enrolled in select private HEIs and are qualified to receive the TES, are entitled to ₱60.0 thousand. The TES sharing agreement states that ₱40.0 thousand goes to the TES student grantee and ₱20.0 thousand to the private HEI. The subsidy is for tuition and other related school fees and should cover the living allowance, books, supplies, transportation, and miscellaneous expenses. Additional benefits are likewise given to persons with disabilities (PWDs) and graduates of programs with licensure exams amounting to ₱30.0 thousand per annum and ₱10.0 thousand, respectively. Under the TES Program, CHED directly pays the schools where these students enrolled. In July 2023, UniFast issued Memorandum Circular No. 5 for the allocation of funds for new TES grants. The circular provides, among others, that the

new TES grantees for the first semester of SY 2023-2024 shall receive ₱20.0 thousand per school year or ₱10.0 thousand per semester to cover the full or partial cost of tuition and other school fees. New TES grantees who are PWDs shall receive an additional subsidy of ₱10.0 thousand per school year or ₱5.0 thousand per semester.

Receivables from students are normally collected on or before the date of major examinations while receivables from DepEd, CHED and DBP are expected to be collected in full within the school year.

Receivables related to educational services and sale of educational materials and supplies amounted to ₱103.0 million as at September 30, 2024, higher by ₱41.7 million from ₱61.3 million as at June 30, 2024. This balance comprises receivables from franchised schools for the educational services rendered by STI ESG and receivables for educational materials and supplies sold to franchised schools and an affiliate. The increase in receivables largely represents receivables on network charges related to the use of eLearning Management System, Microsoft License subscriptions, among others, and sale of uniforms and prowares during the three-month period ended September 30, 2024. These receivables from franchised schools and an affiliate are expected to be settled within 30 days from invoice date.

Rent and other receivables decreased by ₱1.9 million to ₱46.9 million as at September 30, 2024 from ₱48.8 million as at June 30, 2024 representing collection of rentals from various lessees and reimbursements of fit-out costs from a lessee during the three-month period ended September 30, 2024.

STI ESG's allowance for estimated credit losses (ECL) recognized in relation to the adoption of Philippine Financial Reporting Standards (PFRS) 9, *Financial Instruments*, increased from ₱155.6 million as at June 30, 2024 to ₱207.9 million as at September 30, 2024. This increase was due to the provision for ECL recognized during the three-month period ended September 30, 2024.

Prepaid expenses and other current assets increased by ₱9.9 million or 10% from ₱98.8 million as at June 30, 2024 to ₱108.7 million as at September 30, 2024 which is substantially attributed to the increase in prepaid insurance and other prepaid expenses, partially offset, substantially, by the lower advances to suppliers and prepaid subscriptions and licenses as at September 30, 2024. Prepaid insurance increased by ₱16.7 million from ₱1.0 million to ₱17.7 million reflecting renewal and payment of premiums due for fire insurance coverage for buildings, including equipment and furniture, money securities payroll and fidelity insurance, and health insurance coverage for employees. The premiums related to these insurance coverages were settled in advance and are recognized as expense over the respective periods of the insurance coverages, which are normally within one year from the beginning of the current fiscal year. Other prepaid expenses as of September 30, 2024, primarily consist of prepayments for tickets and venue rental for the National Talent Search competition, scheduled on November 22, 2024, for the entire network. The decrease in the prepayments for subscriptions and licenses from ₱14.8 million to ₱11.9 million represent the portions which were charged to expense during the three-month period ended September 30, 2024. Advances to suppliers decreased from ₱13.3 million to ₱9.2 million primarily due to the completion of deliveries and full payment of certain purchase orders for student uniforms for SY 2024-2025 during the three-month period ended September 30, 2024.

The carrying value of STI ESG's equity instruments designated at FVPL, particularly, its investment in quoted equity shares of RCR, amounted to ₱5.90 per share or an aggregate of ₱9.1 million as at September 30, 2024 compared to ₱5.25 or an aggregate value of ₱8.1 million

as at June 30, 2024. This increase in market value in quoted equity shares of RCR resulted in fair value gain on equity instruments at FVPL amounting to ₱1.0 million for the three-month periods ended September 30, 2024 compared to a fair value loss on the same equity instruments amounting to ₱1.4 million for the three-month periods ended September 30, 2023. Dividends received from this investment amounted to ₱0.2 million for the three-month periods ended September 30, 2024 and 2023.

Property and equipment increased by ₱298.8 million, net of depreciation, to ₱7,847.4 million as at September 30, 2024 from ₱7,548.6 million June 30, 2024 substantially attributed to STI ESG's acquisition of a parcel of lot in Alabang, Muntinlupa City, and construction of new buildings, solar panel installation, classroom expansion, and various renovation and rehabilitation projects in schools owned and operated by STI ESG.

On June 10, 2024, STI ESG and Avida Land Corp. executed a contract to sell for the acquisition of a parcel of land with a total area of 3,266 square meters, located at South Park District, Alabang, Muntinlupa City, for a total purchase price of ₱228.8 million. The purchase price is payable in three installments: (i) the amount of ₱45.1 million, inclusive of ₱24.7 million VAT, was settled on June 10, 2024 (ii) the amount of ₱81.6 million was paid by STI ESG on September 30, 2024, upon execution of the Deed of Sale on Installments (the "Deed"); and (iii) the amount of ₱102.1 million shall be paid by STI ESG on the 16th month after the execution of the Deed. STI ESG likewise paid ₱9.2 million for taxes and other charges related to the sale on September 30, 2024. STI ESG shall be entitled to physical possession and control over the lot upon execution of the Deed. Similarly, the Deed provides that STI ESG shall start the construction within two years from the execution of the Deed. This lot will serve as the future site of the new STI Academic Center Alabang.

STI ESG sold a portion of its shares in STI Education Systems Holdings, Inc. (STI Holdings), totaling 23 million shares, during the quarter ending on September 30, 2024, for a total of ₱25.0 million. Consequently, STI ESG's equity interest in STI Holdings has been reduced from 5.05% to 4.82% as at September 30, 2024. This resulted in gain on disposal of shares held in an associate amounting to ₱3.2 million which was reported as part of "Other income" in the three-month period ended September 30, 2024.

Deferred tax assets (DTA) increased by ₱30.6 million from ₱34.0 million to ₱64.6 million as at September 30, 2024, representing taxes due on tuition and other school fees collected in advance. Following statutory regulations, tuition and other school fees which are collected in advance are subject to income tax upon receipt.

Accounts payable and other current liabilities decreased by ₱16.7 million from ₱714.9 million as at June 30, 2024 to ₱698.2 million as at September 30, 2024. Accounts payable, which rose by ₱12.3 million to ₱340.8 million as at September 30, 2024, primarily reflect obligations to various suppliers and contractors of recently completed renovation and construction projects. Network events fund also increased by ₱11.9 million to ₱37.3 million as at September 30, 2024. Network events fund refers to fees collected from the students and are used to subsidize the expenses intended for network-wide social, academic, arts, and sports competitions with the objective of enhancing the student development programs of the schools within the network. This fund is expected to be fully utilized within the fiscal year. This increase was offset by the lower interest payable, from ₱49.5 million as at June 30, 2024 to ₱5.8 million as at September 30, 2024, as STI ESG settled its semi-annual coupon and interest on loans in September 2024. Accrued expenses for commencement costs and other student activities, decreased likewise reflecting payments made to suppliers during the three-month period ended September 30, 2024.

Unearned tuition and other school fees increased by ₱1,722.3 million from ₱93.0 million as at June 30, 2024 to ₱1,815.3 million as at September 30, 2024. This unearned tuition and other school fees will be recognized as income over the remaining months of the related school term(s).

Current portion of lease obligations amounted to ₱60.8 million and ₱62.8 million as at September 30, 2024 and June 30, 2024, respectively. Noncurrent lease liabilities declined by ₱9.7 million from ₱252.2 million to ₱242.5 million representing lease obligations which are due within the next twelve months. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of the initial application. The amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. The measurement and presentation of lease liabilities were recognized in the unaudited condensed consolidated financial statements of the Group following the adoption of PFRS 16 *Leases*.

Current portion of interest-bearing loans and borrowings amounted to ₱536.2 million as at September 30, 2024 net of deferred finance charges amounting to ₱3.8 million. The balance as at September 30, 2024 represents the current portion of the Term Loan Facility of STI ESG with Chinabank, BPI and Metrobank amounting to ₱240.0 million, ₱200.0 million, and ₱100.0 million, respectively. On the other hand, the non-current portion of interest-bearing loans and borrowings, decreased by ₱269.0 million from ₱1,549.8 million to ₱1,280.8 million, net of deferred finance cost, as at June 30, 2024 and September 30, 2024, respectively, due to the reclassification from non-current portion to current portion of interest-bearing loans and borrowings that are due in the next twelve months.

Income tax payable amounted to ₱60.3 million and ₱21.5 million as at September 30, 2024 and June 30, 2024, respectively, reflecting the income tax obligation of STI ESG and some of its subsidiaries for their respective taxable income during the three-month period ended September 30, 2024.

Pension liabilities declined by 31% or ₱20.7 million from ₱66.7 million to ₱46.0 million as at June 30, 2024 and September 30, 2024, respectively, representing remeasurement adjustments forming part of STI ESG's pension assets for the three-month period ended September 30, 2024. This decrease was partially offset by the pension expense recognized for the three-month period ended September 30, 2024. Other noncurrent liabilities increased by ₱19.2 million from ₱112.1 million to ₱131.3 million. The balance as at September 30, 2024 substantially pertains to STI ESG's payable for the acquisition of a parcel of lot in Alabang, Muntinlupa City amounting to ₱102.1 million. This amount is due on the 16th month after the execution of the Deed of Sale on Installments in September 2024. This was partially offset by the reclassification of the deposits for future stock subscription which was previously classified under the noncurrent liability section. These deposits for future stock subscription for STI Novaliches and STI Training Academy were reclassified by STI ESG from liability to equity section as both entities met the required conditions for classification under the equity section. As at November 19, 2024, STI Training Academy is awaiting the response of SEC, while STI Novaliches is completing the additional requirements for submission to SEC.

Cumulative actuarial gain amounted to ₱58.1 million as at September 30, 2024 from ₱36.7 million as at June 30, 2024. The increase reflects changes in the market value of the equity

investments held within the pension plan assets of the Group for the three-month period ended September 30, 2024.

STI ESG's share in associate's unrealized fair value loss on equity instruments designated at FVOCI amounted to ₱34. 6 thousand and ₱43.6 thousand, as at June 30, 2024 and September 30, 2024, respectively, representing unrealized fair value adjustment resulting from the increase in the market value of the quoted equity shares held by STI ESG's associate.

Retained earnings increased by ₱164.8 million from ₱3,524.7 million to ₱3,689.5 million representing net income recognized for the three-month period ended September 30, 2024.

V. MATERIAL CHANGES IN INCOME STATEMENT ACCOUNTS

The Group generated gross revenues amounting to ₱772.6 million during the three-month period ended September 30, 2024, an increase of ₱292.4 million from ₱480.2 million of the same period last year.

Condensed Statements of Comprehensive Income

	Three Months Ended September 30			
(Amounts in Peso millions)	**2024**	**2023**	**Increase (Decrease)**	
Revenues	772.6	480.2	292.4	61%
Costs and expenses	574.4	493.5	80.9	16%
Operating income (loss)	**198.2**	**(13.3)**	**211.5**	**-1590%**
Other income (expenses)	(16.3)	(14.3)	(2.0)	14%
Income (Loss) before income tax	**181.9**	**(27.6)**	**209.5**	**-759%**
Provision for (benefit from) income tax	17.2	(5.9)	23.1	-392%
Net income (loss)	**164.7**	**(21.7)**	**186.4**	**-859%**
Other comprehensive income	21.5	3.1	18.4	592%
Total comprehensive income (loss)	**186.2**	**(18.6)**	**204.8**	**-1101%**

Tuition and other school fees amounted to ₱618.3 million for the three-month period ended September 30, 2024, up by ₱283.5 million or 85% from ₱334.8 million of the same period last year. This increase is primarily due to the earlier start of classes for SY2024-2025, which began on August 12, compared to August 29 for the previous year. Consequently, the Group recognized earned revenues equivalent to one and a half month compared to just one month in the prior year. This timing difference has substantially contributed to the higher revenues of the Group for the three-month period ended September 30, 2024. The Group registered a significant enrollment growth of 17% for SY 2024-2025 reaching over 121,000 students up from nearly 104,000 enrollees in SY 2023-2024. New students enrolled in CHED programs increased by 9% from over 29,000 in SY 2023-2024 to approximately 32,000 in SY 2024-2025. Furthermore, enrollment in programs regulated by CHED registered an impressive 21% increase to over 86,000 in SY 2024-2025 compared to enrollment in SY 2023-2024 of over 71,000 students. As CHED programs generate higher revenues per student, this increase further bolsters the Group's financial performance for the period.

Revenues from educational services and royalty fees increased by 26%, primarily attributed to the increase in the student population of franchised schools for SY 2024-2025. Revenues from educational services are derived as a percentage of the tuition and other school fees collected by the franchised schools from their students, DepEd and CHED.

Other revenues increased by ₱5.1 million or 18% from ₱28.1 million for the three-month period ended September 30, 2023 to ₱33.2 million for the three-month period ended September 30, 2024, concomitant with the higher number of students this year. Similarly, the subscription costs for the Microsoft licenses increased due to a change in the subscription package—from Microsoft Office 365 A1 Plus to Microsoft Office 365 A3. This upgrade involves the use of licenses available to a higher-tier plan which provides additional features and capabilities resulting in a higher per-user cost. The related charges for the franchised schools are taken up as part of "Other Revenues" while the related costs are reported as part of "Other Direct Expenses".

The revenues generated from the sale of educational materials and supplies amounted to ₱57.4 million for the three-month period ended September 30, 2024, compared to ₱66.9 million for the same period last year. Sales for both periods were primarily driven by uniform and proware items. The decline is due to timing differences as some of the student uniforms were distributed as early as the last quarter ended June 30, 2024 as opposed to last year wherein some sales transactions were completed during the first quarter of SY 2023-2024. The cost of educational materials and supplies sold decreased likewise concomitant with the decrease in the sale of educational materials and supplies.

The cost of educational services is higher by ₱42.7 million, from ₱156.8 million to ₱199.5 million for the three-month periods ended September 30, 2023 and 2024, respectively. This increase is primarily attributed to higher instructors' salaries and benefits, as well as higher expenditures related to student activities and programs. The substantial increase in these costs is primarily attributed to the growing student population.

Instructors' salaries and benefits are up by ₱26.8 million from ₱62.9 million to ₱89.7 million year-on-year. This is due to the earlier start of classes for SY2024-2025 compared to the previous year, and bigger faculty roster concomitant with the increase in student population.

Expenses attributed to student activities and programs climbed by ₱24.6 million from ₱4.4 million for the quarter ended September 30, 2023 to ₱29.0 million during the quarter ended September 30, 2024 driven by the increase in student population. Similarly, this account includes subscription costs for the use of eLearning Management System, MS License, and Amadeus, which likewise went up due to the larger student population. STI ESG also subscribed for access to e-books across various fields such as business, education, healthcare, engineering, and more. This subscription ensures that the schools within the STI network meet CHED's requirements for libraries and academic resources to maintain high standards in instruction, research, and student support. Other direct expenses also increased, largely attributed to student insurance expense which grew concomitant with the student population.

Gross profit improved from ₱275.5 million to ₱526.7 million for the three-month periods ended September 30, 2023 and 2024, respectively, primarily due to earlier start of classes and higher enrollment. Similarly, gross profit margins improved from 57% to 68% year-on-year.

General and administrative expenses increased by 14% or ₱39.7 million from ₱288.8 million to ₱328.5 million for the three-month periods ended September 30, 2023 and 2024, respectively, largely attributed to expenses related to salaries and benefits, light and water, janitorial and security services, repairs and maintenance, provision for estimated credit losses and advertising and promotion expenses.

Salaries and benefits of ₱77.8 million are higher by ₱8.2 million for the three-month period ended September 30, 2024 compared to same period last year of ₱69.6 million due to salary adjustments granted to deserving employees. Also, certain plantilla positions were filled up during the three months ended September 30, 2024.

The Group recognized a provision for ECL amounting to ₱52.3 million from the three-month period ended September 30, 2024 largely representing ECLs on outstanding receivables from students' tuition and other school fees as at September 30, 2024. This provision for ECL is higher by ₱9.5 million compared to ₱42.8 million for the three-month period ended September 30, 2023. This increase reflects the estimated credit losses on tuition and other school fees for SY 2024-2025. The Group recognized ECL based on the Group's historical credit loss experience adjusted with forward-looking information. The most recent receivables are assigned with lower loss rates. Estimated loss rates vary over time and increase as receivables age and as credit risks increase, with the likelihood of the receivables becoming impaired. The Group likewise considered the subsequent collections of receivables from students pertaining to prior years.

Light and water expenses are higher by ₱8.0 million from ₱26.8 million to ₱34.8 million for the three-month periods ended September 30, 2023 and 2024, respectively. This increase is net of cost savings from the solar power system installed at STI Ortigas Cainta, which has a total capacity of 212 kilowatts. Similarly, outside services including security and janitorial services are higher by ₱4.1 million from ₱24.4 million to ₱28.5 million for the three-month periods ended September 30, 2023 and 2024, respectively. These increases are primarily attributed to the earlier start of SY 2024-2025 compared to the previous year and likewise due to higher student population. Some schools reported an uptick in the security and janitorial personnel to meet the growing demands, alongside increases in minimum wage rates charged by security and utility service providers.

Advertising and promotions expenses rose by ₱4.1 million from ₱10.2 million to ₱14.3 million for the three-month periods ended September 30, 2023 and 2024, respectively, as online advertisements and promotions were intensified before the start of SY 2024-2025.

Taxes and licenses expense increased by ₱1.3 million from ₱8.5 million to ₱9.8 million for the three-month periods ended September 30, 2023 and 2024, respectively. Local business taxes increased in 2024 concomitant with higher revenues. Additionally, in 2023, STI ESG incurred higher real property taxes due to the voluntary reclassification of one of its properties to the "Investment properties" category, causing the prior exemption from real property taxes to no longer apply.

Repairs and maintenance expenses are higher by ₱2.9 million from ₱5.7 million to ₱8.6 million for the three-month periods ended September 30, 2023 and 2024, respectively, due to refurbishment of school facilities ahead of SY 2024-2025.

Association dues increased by ₱0.7 million from ₱0.7 million to ₱1.4 million for the three-month periods ended September 30, 2023 and 2024, respectively, representing dues paid by STI ESG for one of its investment properties, previously covered by its former lessee, whose lease contract ended in June 2024.

The other general and administrative expenses like professional fees, transportation and travel, meetings and conferences, office supplies, and communication expenses also increased driven by the Group's growing business activities, and student population.

The Group posted an operating income of ₱198.2 million for the three-month period ended September 30, 2024, marking a significant turnaround from an operating loss of ₱13.3 million for the three-month period ended September 30, 2023. The improvement was mainly driven by higher revenues, attributed to the earlier start of SY 2024-2025, and a larger student population. The operating income margin reached 26% for the three-month period ended September 30, 2024, a substantial recovery from operating loss margin of 3% reported for the three-month period ended September 30, 2023. This improvement likewise reflects the Group's optimized operational efficiency, through effective management of the costs of educational services, and administrative expenses, alongside the benefits of increased operating leverage.

Interest expenses decreased by ₱4.8 million, from ₱67.7 million to ₱62.9 million three-month period ended September 30, 2024. This reduction is primarily attributed to principal payments made by STI ESG on its Term Loan Facility with Chinabank in March 2024 and September 2024, and the full settlement of STI ESG's Corporate Notes Facility with Chinabank in September 2023. STI ESG likewise redeemed in full its series 7-year bonds aggregating to ₱2,180.0 million in March 2024. The resulting decrease in interest expenses related to these principal payments and bond redemption was partially offset by the increase in the interest rates on STI ESG's outstanding interest-bearing loans under the Term Loan Facility with Chinabank which was adjusted from 6.5789% to 8.0472% per annum effective September 19, 2023. This account also includes interest expenses associated with drawdowns made in March 2024 amounting to ₱500.0 million from STI ESG's Term Loan Facility with BPI, and ₱1,000.0 million from STI ESG's Term Loan Facility with Metrobank, bearing interest rates of 8.4211% and 7.8503% per annum, respectively. The interest rates for these loans of STI ESG with BPI and Metrobank were repriced effective September 18, 2024 with prevailing interest rates set at 7.8735% and 7.8135% per annum, respectively. The interest rate for the Term Loan facility of STI ESG with Chinabank was repriced at 7.8749% per annum effective September 19, 2024.

Interest income increased from ₱5.0 million for the three-month period ended September 30, 2023 to ₱8.3 million for the three-month period ended September 30, 2024 substantially attributed to the investment of STI ESG and some of its subsidiaries in short-term investments and money market placements.

Equity in net earnings of associates and joint venture amounted to ₱6.4 million for the three-month period ended September 30, 2024, compared to ₱3.0 million for the three-month period ended September 2023 reflecting improved results of operations of certain associates of STI ESG.

The Group recognized recovery of accounts written-off amounting to ₱4.0 million for the three-month period ended September 30, 2024 compared to ₱1.8 million for the same period last year.

STI ESG redeemed and converted substantially all its dollar money market and time deposit placements, respectively, in August 2024 resulting in a realized foreign exchange loss amounting to ₱5.8 million for the three-month period ended September 30, 2024. On the other hand, STI ESG recognized an unrealized gain on foreign exchange differences in its dollar-denominated cash and cash equivalents amounting to ₱13.7 million for the three-month period ended September 30, 2023.

In September 2023, STI ESG fully paid the outstanding balance of its Corporate Notes Facility with Chinabank aggregating to ₱210.0 million. The loan had a carrying value of ₱213.1 million as at September 19, 2023, inclusive of the unamortized premium amounting to ₱3.1 million. In view of this loan being fully paid, the unamortized premium associated with the Corporate Notes Facility was derecognized in September 2023 and was taken up as "Gain on early extinguishment of loan" in the unaudited interim condensed consolidated statement of comprehensive income for the three-month period ended September 30, 2023.

Fair value gain on equity instruments at FVPL amounting to ₱1.0 million was recognized for the three-month period ended September 30, 2024, compared to fair value loss amounting to ₱1.4 million for the three-month period ended September 30, 2023, respectively, representing adjustments in the market value of STI ESG's quoted equity shares.

The Group recognized recovery of accounts written-off amounting to ₱4.0 million for the three-month period ended September 30, 2024 compared to ₱1.8 million for the same period last year.

Equity in net earnings of associates and joint venture amounted to ₱6.4 million for the three-month period ended September 30, 2024, compared to ₱3.0 million for the three-month period ended September 2023.

The Group also recognized other income aggregating to ₱2.0 million for the three-month period ended September 30, 2024, substantially attributed to gain recognized on the termination of a former lease agreement which was accounted for under the PFRS 16 and unrealized gain on STI ESG's dollar short term investment as at September 30, 2024. Both periods include amortization of bond issue costs ₱152.8 thousand and ₱226.8 thousand for the three-month periods ended September 30, 2024 and 2023, respectively.

The Group recognized "Provision for income tax" amounting to ₱17.2 million for the three-month period ended September 30, 2024, mainly representing taxes due on STI ESG's and some of its subsidiaries' taxable income. On the other hand, the Group recognized "Benefit from income tax" amounting to ₱5.9 million for the three-month period ended September 30, 2023, mainly representing deferred taxes on tuition and other school fees collected in advance.

STI ESG reported a net income ₱164.7 million for the three-month period ended September 30, 2024, a remarkable turnaround from same period last year's net loss of ₱21.7 million. This improvement was driven by increased revenues due to the earlier start of SY 2024-2025 and a larger student population.

STI ESG recognized remeasurement gain, net of taxes, amounted to ₱21.4 million for the three-month periods ended September 30, 2024 compared to remeasurement loss of ₱1.9 million for the three-month periods ended September 30, 2023, due to the adjustments in the market value of equity shares forming part of pension assets.

The unrealized fair value adjustments on equity instruments designated at FVOCI amounted to ₱0.09 million for the three-month period ended September 30, 2024, compared to ₱1.3 million for the three-month period ended September 30, 2023. The increase represents fair value adjustments in the market price of quoted equity shares held by STI ESG.

Total comprehensive income for the three-month period ended September 30, 2024 amounted to ₱186.2 million compared to total comprehensive loss of ₱18.6 million for the three-month period ended September 30, 2023.

EBITDA is up from ₱115.9 million for the three-month period ended September 30, 2023 to ₱329.5 million for the three-month period ended September 30, 2024. EBITDA margin is 43% for the three-month period ended September 30, 2024, compared to 24% for the same period last year due to the reasons cited above.

Core income, computed as the consolidated income after income tax derived from the Group's main business of education and other recurring income, amounted to ₱157.8 million for the three-month period ended September 30, 2024 compared to core income for the same period last year of negative ₱40.2 million.

VI. FINANCIAL RISK DISCLOSURE

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

Liquidity risk – Liquidity risk arises from the possibility that the Group may encounter difficulties in raising funds to meet its currently maturing commitments. The Group's liquidity profile is managed to be able to finance its operations and capital expenditure and other financial obligations. To cover its financing requirements, the Group uses internally-generated funds and interest-bearing loans and borrowings. As part of its liquidity risk management program, the Group regularly evaluates the projected and actual cash flow information and continuously assesses conditions in the financial markets for opportunities to pursue fund-raising initiatives.

Any excess funds are primarily invested in short-dated and principal-protected bank products that provide flexibility of withdrawing the funds anytime. The Group regularly evaluates available financial products and monitors market conditions for opportunities to enhance yields at acceptable risk levels.

The Group's current liabilities are mostly made up of trade liabilities with a 30 to 60-day payment terms, and current portion of interest-bearing loans and borrowings that are expected to mature within one year after the reporting date. On the other hand, the biggest components of the Group's current assets are cash and cash equivalents, receivables from students and franchisees and advances to subsidiaries, associates and joint venture with credit terms of thirty (30) to one hundred and eighty (180) days.

As at September 30, 2024 and June 30, 2024, the Group's current assets amounted to ₱3,240.0 million and ₱1,793.3 million, respectively, while current liabilities amounted to ₱3,170.9 million and ₱1,428.5 million, respectively. Current liabilities include unearned tuition and other school fees amounting to ₱1,815.4 million and ₱93.0 million as at September 30, 2024 and June 30, 2024, respectively. Unearned tuition and other school fees represent performance obligations related to revenues from tuition and other school fees, which will be satisfied over time as the students receive the services provided by the Group.

As part of the Group's liquidity risk management program, management regularly evaluates the projected and actual cash flow information.

In relation to the Group's interest-bearing loans and borrowings from local banks, the debt service coverage ratio, based on the consolidated financial statements of STI ESG and its subsidiaries, is also monitored on a regular basis. The debt service coverage ratio is equivalent to the EBITDA divided by total principal and interests due for the next twelve months. The Group monitors its debt service coverage ratio to keep it at a level acceptable to the Group, the lender banks, and the STI ESG bondholders.

The Term Loan Agreement with Chinabank prescribes that the financial covenants shall be observed and computed based on STI ESG's unaudited interim consolidated financial statements as at and for the six-month period ending December 31 of each year and based on the audited consolidated financial statements as at and for the year ending June 30 of each year. The term loan agreements with BPI and Metrobank prescribe that the financial covenants shall be observed and computed annually based on STI ESG's audited consolidated financial statements as at and for the year ending June 30 of each year. STI ESG is compliant with the DSCR requirement as at June 30, 2024, as defined in the term loan agreements, (see Note 16 of the unaudited interim condensed consolidated financial statements).

The second supplemental agreement replaced the DSCR measure with ICR, as discussed in Note 17, respectively. The Group's policy is to keep the debt service coverage ratio not lower than 1.05:1.00. The Group's policy is to keep the interest coverage ratio not lower than 3.00:1.00. DSCR, as defined in the loan agreement, as at June 30, 2024 is 2.39:1.00. ICR, as defined in the bond trust agreement, as at June 30, 2024 is 9.37:1.00. STI ESG has been compliant with the financial covenants imposed under the loan and bond trust agreements.

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

It is the Group's policy to require the students to pay all their tuition and other school fees before they can get their report cards and other credentials. In addition, receivable balances are monitored continuously such that exposure to bad debts is not significant.

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. Fixed-rate financial instruments are subject to fair value interest rate risk while floating-rate financial instruments are subject to cash flow interest rate risk. The Group's interest rate risk management policy centers on reducing the overall interest expense and exposure to changes in interest rates. Changes in market interest rates relate primarily to the Group's long-term loans and bonds. While the Group's long-term debt has a floating interest rate, the Group elected to have the interest rate repriced every six months on its new loans and every year on the old loans, thus minimizing the exposure to market changes in interest rates. The Parent Company's 7-year bonds, which had a fixed interest rate, were fully redeemed in March 2024 while the 10-year bonds, maturing in 2027, continue to carry a fixed interest rate.

The Group's exposure to interest rate risk also includes its cash and cash equivalents balance. Interest rates for the Group's cash deposits are at prevailing interest rates. Due to the magnitude of the deposits, significant changes in interest rates may also affect the statements of comprehensive income of the Group.

Capital risk – The Group's objectives when managing capital is to provide returns for stockholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages its capital structure and adjusts it in light of changes in economic conditions. The Group is not subject to externally imposed capital requirements.

The Group monitors capital using the D/E ratio, which is computed as the total of current and noncurrent liabilities, net of unearned tuition, and other school fees, divided by total equity. The Group monitors its D/E ratio to keep it at a level acceptable to the Group, the lender bank, and the STI ESG bondholders. The Group's policy is to keep the D/E ratio at a level not exceeding 1.50:1.00.

VII. AGREEMENTS/COMMITMENTS AND CONTINGENCIES/OTHER MATTERS

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

b. Except as provided in Note 26 of the Notes to the Unaudited Interim Condensed Consolidated Financial Statements attached as Annex "A," the Group has no other financial and capital commitments.

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 the Group.

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

e. The various loan agreements entered into and the issuance of fixed rate bonds 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 respective agreements. See Notes 16 and 17 of the notes to unaudited interim condensed consolidated financial statements of the Company attached as Annex "A" for a more detailed discussion. There are no other events that will trigger direct or contingent financial obligations that are material to the Group, including any default or acceleration of an obligation.

f. 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 26 of the notes to unaudited interim condensed consolidated financial statements attached as Annex "A".

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

h. The Group's business is linked to the academic cycle. The academic cycle is one academic year that starts in late August and ends in June of the following year. The core business and revenues of the Group, which are mainly from tuition and other school fees, are

recognized as income over the corresponding school term(s) to which they pertain. Accordingly, the revenues of the Group are 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 the operations of the Group. However, management has concluded that the Group's operation is not highly seasonal.

i. On March 23, 2017, STI ESG listed its ₱3.0 billion Series 7-year Bonds due 2024 and Series 10-year Bonds due 2027 on the PDEx secondary market. The ₱3.0 billion bond issue is the first tranche of STI ESG's ₱5.0 billion fixed-rate bonds program under its 3-year shelf registration with the SEC. The 3-year shelf registration ended on March 9, 2020. The Bonds carry coupon rates of 5.8085% and 6.3756% for the 7-year and 10-year tenors, respectively. Interests are payable quarterly in arrears on June 23, September 23, December 23, and March 23 or the next business day if such dates fall on non-banking days, of each year commencing on June 23, 2017, until and including the relevant maturity dates (see Note 17 of the notes to unaudited interim condensed consolidated financial statements). STI ESG redeemed in full its series 7-year bonds in March 2024.

j. On February 27, 2024, the BOD of STI Holdings ratified the execution of a term sheet between STI Holdings and Philippine School of Business Administration (PSBA Manila) and Philippine School of Business Administration, Inc. – Quezon City (PSBA Quezon City) or collectively referred to as "PSBA". The term sheet covers the takeover by STI Holdings of the operations of PSBA as well as the acquisition of licenses, trademarks, trade names, and school-related assets owned by PSBA (the "transaction").

   The term sheet and the implementation of the transaction are subject to several conditions including the execution of mutually acceptable definitive agreements, the fulfillment of the conditions precedent, the approval of the stockholders of PSBA, and regulatory approvals.

   On May 2, 2024, STI ESG entered into a Contract to Sell with PSBA Manila for the sale and purchase of a 3,000 square meter parcel of land located at Aurora Boulevard, Quezon City (referred to as the "Subject Property"). The sale and purchase of the Subject Property is subject to regulatory approvals and the fulfillment of certain conditions precedent. Subject to regulatory approvals and upon fulfillment of such conditions precedent, STI ESG and PSBA Manila shall execute a Deed of Absolute Sale over the Subject Property.

   On May 2, 2024, STI Holdings and PSBA also executed the Right of First Refusal Agreement as STI Holdings has the right of first refusal in the event that it intends to sell the PSBA properties. PSBA Manila is the registered and beneficial owner of a parcel of land, together with the improvement thereon, located at R. Papa St., Manila (the "PSBA Manila Property"). PSBA Manila is likewise the registered and beneficial owner of two parcels of land, together with improvements thereon, located at Aurora Boulevard, Quezon City.

   On the same date, STI Novaliches entered into an Asset Purchase Agreement with PSBA for the acquisition by STI Novaliches of the tangible and intangible assets of PSBA (collectively, the "School Related Assets") used or relating to the operation by PSBA of its schools located in Manila and Quezon City. The sale and purchase of the School Related Assets is subject to regulatory approvals and the fulfillment of certain conditions. Subject to regulatory approvals and the fulfillment of certain conditions, STI Novaliches and PSBA shall execute Deeds of Assignment for the sale and purchase of the School Related Assets.

As at November 19, 2024, the conditions precedent and regulatory approvals for the aforementioned agreements have not been fulfilled.

On May 30, 2024, STI ESG and PSBA executed a Management Agreement appointing STI ESG to manage the operations of PSBA schools with the goal of increasing enrollment as well as promoting PSBA as one of the leading educational institutions in the Philippines for accountancy and business programs. STI ESG shall provide the management services starting July 1, 2024 for PSBA Quezon City and starting August 1, 2024 for PSBA Manila. The management services will be for a period of three years counting from the management commencement date.

STI ESG shall perform the following obligations, among others: (1) provide management services including, but not limited to, marketing and advertising efforts, administering teaching and non-teaching staff deployed in each of the PSBA schools, maintaining school records and providing such other administrative and support services required for the effective operations of PSBA schools; (2) enter into contracts for and on behalf of PSBA with third parties without need of consent of PSBA; (3) liaise with local government units and government agencies in relation to the management and operations of PSBA schools; and (4) apply for and obtain permits and licenses for PSBA schools.

PSBA Manila and PSBA Quezon City shall each pay management fees to STI ESG equivalent to 26% of the gross revenues of PSBA Manila and PSBA Quezon City, respectively.

The management agreement may be extended provided that (i) such extension shall be subject to mutual agreement of the Parties; (ii) STI ESG shall be entitled to use the PSBA Manila and Quezon City properties rent-free during the extended management period, and (iii) the same terms and conditions shall apply during the extended management period unless otherwise agreed upon by the Parties in writing.

On September 23, 2024, PSBA informed STI Holdings that a third party had offered to purchase the PSBA Manila Property. On October 2, 2024, STI Holdings informed PSBA that it intended to exercise its right of first refusal over the PSBA Manila Property under the same terms and conditions offered by the third party. As at November 19, 2024, STI Holdings has yet to receive the reply of PSBA.