



SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17.2 (b) THEREUNDER

- 1. For the quarterly period ended **30 June 2016**
- 2. SEC Identification Number: **10683**      3. BIR Tax Identification Number: **000-141-166**
- 4. **SUNTRUST HOME DEVELOPERS, INC.**  
Exact name of issuer as specified in its charter
- 5. **Metro Manila, Philippines**  
Province, Country, or other jurisdiction of incorporation or organization
- 6.                      (SEC Use Only)  
Industry Classification Code:
- 7. **6<sup>th</sup> Floor The World Centre, 330 Sen. Gil Puyat Avenue, Makati City 1227**  
Address of issuer's principal office
- 8. **(632) 867-8826 to 40**  
Issuer's Telephone Number, including area code
- 9. Securities registered pursuant to Sections 8 and 12 of the Code, or Section 4 and 8 of the RSA

TITLE OF EACH CLASS	NUMBER OF SHARES OF COMMON STOCK OUTSTANDING
Common	2,250,000,000

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

Yes [X]                      No [ ]

**Philippine Stock Exchange**

**Common Shares**

11. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months.

Yes [X]                      No [ ]

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

Yes

No

#### PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

1. Consolidated Statements of Financial Position (Exhibit 1)
2. Consolidated Statements of Income (Exhibit 2)
3. Consolidated Statements of Changes in Equity (Exhibit 3)
4. Statements of Cash Flows (Exhibit 4)
5. Notes to Interim Financial Statements (Exhibit 5)

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

Please see Exhibit 6

Item 3. Aging of Accounts Receivable

Please see attached hereto as Exhibit 7

Item 4. Schedule of Financial Soundness Indicators

Please see Exhibit 8

#### PART II - OTHER INFORMATION

The Company is not in possession of any information which may, at its option, be reported under this item and which would otherwise be required to be filed in a report on SEC Form 17-C.

#### SIGNATURES

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

**SUNTRUST HOME DEVELOPERS, INC.**  
Issuer

By:

**EVELYN G. CACHO**  
Treasurer (Principal Financial Officer  
and Duly Authorized Officer)  
August 13, 2016 ✓

**EXHIBIT 1**

**SUNTRUST HOME DEVELOPERS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2016 AND DECEMBER 31, 2015**  
*(Amounts in Philippine Pesos)*

<b>A S S E T S</b>	<b>Unaudited</b> <b>June 30, 2016</b>	<b>Audited</b> <b>December 31, 2015</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	P 354,644,559	P 299,896,867
Trade and other receivables - net	117,869,254	107,934,741
Due from related parties - net	58,722,713	53,859,925
Other current assets	<u>8,936,562</u>	<u>8,616,419</u>
Total Current Assets	<u>540,173,088</u>	<u>470,307,952</u>
<b>NON-CURRENT ASSETS</b>		
Trade and other receivables	4,932,088	4,234,183
Investment property -net	27,886,543	28,506,244
Property and equipment - net	29,364,531	20,864,983
Deferred tax assets	36,341,694	36,341,694
Other non-current assets	<u>2,782,306</u>	<u>2,810,522</u>
Total Non-current Assets	<u>101,307,162</u>	<u>92,757,626</u>
<b>TOTAL ASSETS</b>	<b>P <u>641,480,250</u></b>	<b>P <u>563,065,578</u></b>
<b><u>LIABILITIES AND EQUITY</u></b>		
<b>CURRENT LIABILITIES</b>		
Trade and other payables	P 176,210,277	P 124,478,738
Due to related parties - net	93,026,955	91,076,837
Income tax payable	<u>904,344</u>	<u>9,048,094</u>
Total Current Liabilities	270,141,576	224,603,669
<b>NON-CURRENT LIABILITIES</b>		
Retirement benefit obligation	<u>128,584,200</u>	<u>116,584,200</u>
<b>TOTAL LIABILITIES</b>	<b>398,725,776</b>	<b>341,187,869</b>
<b>EQUITY</b>	<u>242,754,474</u>	<u>221,877,709</u>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>P <u>641,480,250</u></b>	<b>P <u>563,065,578</u></b>

## EXHIBIT 2

SUNTRUST HOME DEVELOPERS, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF INCOME  
FOR THE PERIOD ENDED JUNE 30, 2016 AND 2015  
(Amounts in Philippine Pesos)

	<i>2016 Unaudited</i> Apr 1 - Jun 30	<i>2016 Unaudited</i> Jan 1 - Jun 30	<i>2015 Unaudited</i> Apr 1 - Jun 30	<i>2015 Unaudited</i> Jan 1 - Jun 30
<b>REVENUES</b>				
Management fees	P 95,741,174	P 181,778,296	P 86,198,061	P 157,941,677
Service income	7,170,671	13,537,485	2,728,521	5,530,538
Rental income	3,371,222	5,902,080	2,578,712	4,910,460
Finance income	2,253,288	3,817,396	973,583	1,835,099
Others	864,702	864,702	20,000	200,330
	109,401,057	205,899,959	92,498,877	170,418,104
<b>COSTS AND EXPENSES</b>				
Cost of services	66,705,140	124,632,103	60,116,144	109,563,782
Operating expenses	23,772,996	44,351,857	19,884,473	36,735,343
Finance costs	2,554,277	5,108,554	1,861,924	3,723,847
Tax expense	5,923,436	10,930,680	3,971,810	7,473,952
	98,955,849	185,023,194	85,834,351	157,496,924
<b>NET PROFIT</b>	P 10,445,208	P 20,876,765	P 6,664,526	P 12,921,180
<b>Earnings per share</b>				
Basic and Diluted	P 0.0047	P 0.0093	P 0.0029	P 0.0057

**EXHIBIT 3**

**SUNTRUST HOME DEVELOPERS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE PERIOD ENDED JUNE 30, 2016 AND 2015**  
*(Amounts in Philippine Pesos)*

	<i>Unaudited</i> June 30, 2016	<i>Unaudited</i> June 30, 2015
<b>CAPITAL STOCK</b> - P1 par value		
Authorized - 3 billion shares	P      2,062,500,000	P      2,062,500,000
<b>REVALUATION RESERVES</b>	12,844,540	(      25,899,604 )
<b>DEFICIT</b>		
Balance at beginning of year	(      1,853,466,831 )	(      1,890,042,970 )
Net profit for the period	<u>          20,876,765</u>	<u>          12,921,180</u>
Balance at end of the period	( <u>          1,832,590,066</u> )	( <u>          1,877,121,790</u> )
<b>TOTAL EQUITY</b>	<u><u>          P      242,754,474</u></u>	<u><u>          P      159,478,606</u></u>

SUNTRUST HOME DEVELOPERS, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE PERIOD ENDED JUNE 30, 2016 AND 2015  
(Amounts in Philippine Pesos)

	<i>Unaudited</i> June 30, 2016	<i>Unaudited</i> June 30, 2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	P 31,807,445	P 20,395,132
Adjustments for:		
Depreciation and amortization	4,015,060	4,616,925
Finance income	( 3,817,396 )	( 1,835,099 )
Finance costs	5,108,554	3,723,847
Operating profit before working capital changes	37,113,663	26,900,805
Increase in trade and other receivables	( 10,540,750 )	( 18,189,471 )
Increase in other current assets	( 320,142 )	( 3,724,845 )
Increase in trade and other payables	51,731,539	27,275,618
Increase in retirement benefit obligation	6,891,446	8,276,153
Cash generated from operations	84,875,756	40,538,260
Cash paid for taxes	( 19,074,430 )	( 14,582,378 )
Net Cash From Operating Activities	65,801,326	25,955,882
<b>CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES</b>	( 13,003,752 )	362,527
<b>CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES</b>	1,950,118	( 170,693 )
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	54,747,692	26,147,716
<b>CASH AND CASH EQUIVALENTS</b>		
<b>AT BEGINNING OF THE PERIOD</b>	299,896,867	230,662,973
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	P 354,644,559	P 256,810,689

**SUNTRUST HOME DEVELOPERS, INC. AND SUBSIDIARIES**  
**NOTES TO INTERIM FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2016 AND 2015**  
**(UNAUDITED)**  
*(Amounts in Philippine Pesos)*

**1. CORPORATE INFORMATION**

***1.1 Company Background***

Suntrust Home Developers, Inc. (the Company or Parent Company) was incorporated in the Philippines on January 18, 1956 to primarily engage in real estate development. The Parent Company's corporate life was extended for another 50 years starting January 18, 2006. The Parent Company is presently engaged in leasing activity and is a publicly listed entity in the Philippines.

Megaworld Corporation (Megaworld), also a publicly listed company in the Philippines, is the major stockholder with 42.48% ownership interest in the Parent Company.

The registered office of the Parent Company, which is also its principal place of business, is located at the 6<sup>th</sup> Floor, The World Centre Building, 330 Sen. Gil Puyat Avenue, Makati City.

The Parent Company's administrative functions are being handled by Megaworld at no cost to the Company.

The consolidated financial statements have been prepared on a going concern basis since Megaworld commits to provide continuing financial support for its operating expenses until such time that the Parent Company is able to successfully re-start its commercial operations as a real estate developer.

***1.2 Subsidiaries and their Operations***

The Parent company holds 100% ownership interest in First Oceanic Property Management, Inc (FOPMI). FOPMI, which is incorporated in the Philippines, is engaged primarily in the management of real estate properties.

On the other hand, FOPMI holds 100% ownership interest in the shares of stock of Citylink Coach Services, Inc. (Citylink), a domestic company engaged in overland transport, carriage, moving or haulage of passengers, fares, customers and commuters as well as freight, cargo, articles, items, parcels, commodities, goods or merchandise by means of coaches, buses, coasters, jeeps, cars and other similar means of transport.

The registered and principal place of business of FOPMI is located at 7<sup>th</sup> Floor Paseo Center, 8757 Paseo de Roxas corner Sedeño Street, Makati City while its principal place of business is located at No. 102 L.P. Leviste St., Salcedo Village, Barangay Bel-Air, Makati City. The registered and principal place of business of Citylink is located at G/F Parking Building, Service Road 2, McKinley Town Center, Bonifacio, Taguig City.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarized below and in the succeeding pages. The policies have been consistently applied to all the periods presented, unless otherwise stated.

### 2.1 *Basis of Preparation of Consolidated Financial Statements*

These interim consolidated financial statements are for the six months ended June 30, 2016 and 2015. They have been prepared in accordance with Philippine Accounting Standards (PAS) 34, *Interim Financial Reporting*. They do not include all of the information and disclosures required in the annual audited consolidated financial statements and should be read in conjunction with the consolidated financial statements of the Group as of and for the year ended December 31, 2015.

The preparation of interim consolidated financial statements in accordance with Philippine Financial Reporting Standards (PFRS) requires management to make judgments, estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities, income and expenses. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

These interim consolidated financial statements are presented in Philippine pesos, the functional and presentation currency of the Parent Company and its subsidiaries, and all values represent absolute amounts except when otherwise indicated.

### 2.2 *Adoption of New and Amended PFRS*

These interim consolidated financial statements have been prepared in accordance with the accounting policies adopted in the last annual financial statements for the year ended December 31, 2015.

#### (a) *Effective in 2016 that are Relevant to the Group*

- (i) PAS 1 (Amendment), *Presentation of Financial Statements* – Disclosure Initiative (effective from January 1, 2016). The amendment encourages entities to apply professional judgment in presenting and disclosing information in the financial statements. Accordingly, it clarifies that materiality applies to the whole financial statements and an entity shall not reduce the understandability of the financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions. It further clarifies that, in determining the order of presenting the notes and disclosures, an entity shall consider the understandability and comparability of the financial statements.
- (ii) PAS 16 (Amendment), *Property, Plant and Equipment*, and PAS 38 (Amendment), *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization* (effective from January 1, 2016). The amendment in PAS 16 clarifies that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment. In addition, amendment to PAS 38 introduces a rebuttable



presumption that an amortization method that is based on the revenue generated by an activity that includes the use of an intangible asset is not appropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of an intangible asset are highly correlated. The amendment also provides guidance that the expected future reductions in the selling price of an item that was produced using the asset could indicate an expectation of technological or commercial obsolescence of an asset, which may reflect a reduction of the future economic benefits embodied in the asset.

- (iii) PAS 16 (Amendment), *Property, Plant and Equipment* and PAS 41 (Amendment) *Agriculture – Bearer Plants* (effective from January 1, 2016). The amendment defines a bearer plant as a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce. On this basis, bearer plant is now included within the scope of PAS 16 rather than PAS 41, allowing such assets to be accounted for as property, plant and equipment and to be measured after initial recognition at cost or revaluation basis in accordance with PAS 16. The amendment further clarifies that produce growing on bearer plants remains within the scope of PAS 41.
- (iv) PFRS 10 (Amendments), *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and PAS 28 (Amendment), *Investments in Associates and Joint Ventures – Investment Entities – Applying the Consolidation Exception* (effective January 1, 2016). This amendment addresses the concerns that have arisen in the context of applying the consolidation exception for investment entities. It clarifies which subsidiaries of an investment entity are consolidated in accordance with paragraph 32 of PFRS 10 and clarifies whether the exemption to present consolidated financial statements, set out in paragraph 4 of PFRS 10, is available to a parent entity that is a subsidiary of an investment entity. This amendment also permits a non-investment entity investor, when applying the equity method of accounting for an associate or joint venture that is an investment entity, to retain the fair value measurement applied by that investment entity associate or joint venture to its interests in subsidiaries.
- (v) Annual Improvements to PFRS (2012-2014 Cycle) (effective from January 1, 2016). Among the improvements, the following amendments are relevant to the Group but management does not expect these to have material impact on the Group's financial statements:
  - PFRS 5 (Amendment), *Non-current Assets Held for Sale and Discontinued Operations*. The amendment clarifies that when an entity reclassifies an asset (or disposal group) directly from being held for sale to being held for distribution (or vice-versa), the accounting guidance in paragraphs 27-29 of PFRS 5 does not apply. It also states that when an entity determines that the asset (or disposal group) is no longer available for immediate distribution or that the distribution is no longer highly probable, it should cease held-for-distribution accounting and apply the guidance paragraphs 27-29 of PFRS 5.
  - PFRS 7 (Amendment), *Financial Instruments – Disclosures*. The amendment provides additional guidance to help entities identify the circumstances under which a contract to “service” financial assets is considered to be a

continuing involvement in those assets for the purposes of applying the disclosure requirements of PFRS 7. Such circumstances commonly arise when, for example, the servicing is dependent on the amount or timing of cash flows collected from the transferred asset or when a fixed fee is not paid in full due to non-performance of that asset.

- PAS 19 (Amendment), *Employee Benefits*. The amendment clarifies that the currency and term of the high quality corporate bonds which were used to determine the discount rate for post-employment benefit obligations shall be made consistent with the currency and estimated term of the post-employment benefit obligations.

(b) *Effective Subsequent to 2016 but not Adopted Early*

There are new PFRS, amendments and annual improvements to existing standards effective for periods subsequent to 2016 which are adopted by the FRSC, subject to the approval of the BOA. Management will adopt the following relevant pronouncements in accordance with their transitional provisions, and, unless otherwise stated, none of these are expected to have significant impact on the Group's consolidated financial statements:

- (i) PFRS 9 (2014), *Financial Instruments* (effective from January 1, 2018). This new standard on financial instruments will eventually replace PAS 39 and PFRS 9 (2009, 2010 and 2013 versions). This standard contains, among others, the following:
  - three principal classification categories for financial assets based on the business model on how an entity is managing its financial instruments;
  - an expected loss model in determining impairment of all financial assets that are not measured at fair value through profit or loss (FVTPL), which generally depends on whether there has been a significant increase in credit risk since initial recognition of a financial asset; and,
  - a new model on hedge accounting that provides significant improvements principally by aligning hedge accounting more closely with the risk management activities undertaken by entities when hedging their financial and non-financial risk exposures.

In accordance with the financial asset classification principle of PFRS 9 (2014), a financial asset is classified and measured at amortized cost if the asset is held within a business model whose objective is to hold financial assets in order to collect the contractual cash flows that represent solely payments of principal and interest (SPPI) on the principal outstanding. Moreover, a financial asset is classified and subsequently measured at fair value through other comprehensive income if it meets the SPPI criterion and is held in a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets. All other financial assets are measured at FVTPL.

In addition, PFRS 9 (2014) allows entities to make an irrevocable election to present subsequent changes in the fair value of an equity instrument that is not held for trading in other comprehensive income.

The accounting for embedded derivatives in host contracts that are financial assets is simplified by removing the requirement to consider whether or not they are closely related, and, in most arrangements, does not require separation from the host contract.

For liabilities, the standard retains most of the PAS 39 requirements which include amortized cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The amendment also requires changes in the fair value of an entity's own debt instruments caused by changes in its own credit quality to be recognized in other comprehensive income rather than in profit or loss.

Management is currently assessing the impact of PFRS 9 (2014) on the consolidated financial statements of the Group and it will conduct a comprehensive study of the potential impact of this standard prior to its mandatory adoption date to assess the impact of all changes.

- (ii) PFRS 10 (Amendments), *Consolidated Financial Statements*, and PAS 28 (Amendment), *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associates or Joint Venture* (effective date deferred indefinitely). The amendment to PFRS 10 requires full recognition in the investor's financial statements of gains or losses arising on the sale or contribution of assets that constitute a business as defined in PFRS 3 between an investor and its associate or joint venture. Accordingly, the partial recognition of gains or losses (i.e., to the extent of the unrelated investor's interests in an associate or joint venture) only applies to those sale or contribution of assets that do not constitute a business. Corresponding amendment has been made to PAS 28 to reflect these changes. In addition, PAS 28 has been amended to clarify that when determining whether assets that are sold or contributed constitute a business, an entity shall consider whether the sale or contribution of those assets is part of multiple arrangements that should be accounted for as a single transaction. In December 2015, the IASB deferred the mandatory effective date of these amendments (i.e., from January 1, 2016) indefinitely.

### **3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES**

The preparation of the Group's consolidated financial statements prepared in accordance with PFRS require management to make judgments and estimates that affect amounts reported in the consolidated financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately differ from these estimates.

#### ***3.1 Critical Management Judgments in Applying Accounting Policies***

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimation, which have the most significant effect on the amounts recognized in the consolidated financial statements:

(a) *Distinction between Investment Properties and Owner-managed Properties*

The Group determines whether a property qualifies as investment property. In making its judgment, the entity considers whether the property generates cash flows largely independently of the other assets held by an entity. Owner-managed properties generate cash flows that are attributable not only to property but also to other assets used in the production or supply process.

(b) *Distinction between Operating and Finance Leases*

The Group has entered into various lease agreements either as a lessor or as lessee. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities.

Management has determined that the Group's current lease agreements are operating leases.

**3.2 Key Sources of Estimation Uncertainty**

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period:

(a) *Estimating Useful Lives of Condominium Units (presented under Investment Property), Property and Equipment and Computer Software*

The Group estimates the useful lives of property and equipment, condominium units and computer software based on the period over which the assets are expected to be available for use. The estimated useful lives of these assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

(b) *Impairment of Trade and Other Receivables*

Adequate allowance is provided for specific and groups of accounts, where an objective evidence of impairment exists. The Group evaluates these accounts based on available facts and circumstances, including, but not limited to, the length of the Group's relationship with the customers, customers' credit status, average age of accounts, collection experience and historical loss experience. The methodology and assumptions used in estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience. The methodology and assumptions used in estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

(c) *Determining Realizable Amount of Deferred Tax Assets*

The Group reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Based on management's assessment, the group has assessed that the deferred tax assets recognized as at June 30, 2016 and December 31, 2015 will be fully utilized in the coming years.

(d) *Impairment of Non-financial Assets*

In assessing impairment, management estimates the recoverable amount of each asset or a cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate. Though management believes that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

(e) *Fair Value Measurement of Investment Property*

The Group's condominium units, classified as Investment Property, are carried at cost at the end of the reporting period. The fair value is determined by the Group using the discounted cash flows valuation technique since the information on current or recent prices of investment property is not available. The Group uses assumptions that are mainly based on market conditions existing at each reporting period, such as: the receipt of contractual rentals; expected future market rentals; void periods; maintenance requirements; and appropriate discount rates. These valuations are regularly compared to actual market yield data and actual transactions by the Group and those reported by the market. The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition.

(f) *Valuation of Post-employment Defined Benefit Obligation*

The determination of the Group's obligation and cost of post-employment defined benefit is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, discount rates and salary increase rate. A significant change in any of these actuarial assumptions may generally affect the recognized expense, other comprehensive income or loss and the carrying amount of the post-employment benefit obligation in the next reporting period.

(g) *Business Combination*

On initial recognition, the assets and liabilities of the acquired business and the consideration paid for them are included in the consolidated financial statements at their fair values. In measuring fair value, management uses estimates of future cash flows and discount rates. Any subsequent change in these estimates would affect the amount of goodwill, if any, if the change qualifies as a measurement period adjustment. Any other change would be recognized in profit or loss in the subsequent period.

#### 4. SEGMENT REPORTING

##### 4.1 *Business Segments*

The Group's operating businesses are organized and managed separately according to the services provided, with each segment represent unit that offers different services and serves different markets. For management purposes, the Group is organized into two major business segments, namely property management and rental and other activities. These are also the basis of the Group in reporting to its strategic steering committee for its strategic decision-making activities.

- (a) Property Management – is the operation, control of (usually on behalf of an owner) and oversight of commercial, industrial or residential real estate as used in its most broad terms. Management indicates a need to be cared for, monitored and accountability given for its usable life and condition.
- (b) Rental and Others – consists of rental from leasing activity of Parent Company and transportation services of Citylink.

##### 4.2 *Segment Assets and Liabilities*

Segment assets include all operating assets used by a segment and consist principally of operating cash, receivables, net of allowances and due from related parties. Segment liabilities include all operating liabilities and consist principally of trade and other payables, due to related parties and retirement benefit obligation.

The following tables present revenue and profit information regarding industry segments for the six months ended June 30, 2016 and 2015 and certain asset and liability information regarding segments as at June 30, 2016 and 2015.

**June 30, 2016**

	<u>Property Management</u>	<u>Rental and Others</u>	<u>Total</u>
Revenues:			
Management fees	P 181,778,296	P -	P 181,778,296
Service income	-	13,537,485	13,537,485
Rental income	-	5,902,080	5,902,080
Finance income	2,804,549	1,012,847	3,817,396
Others	<u>738,602</u>	<u>126,100</u>	<u>864,702</u>
Gross revenues	185,321,447	20,578,512	205,899,959
Expenses	146,100,048	22,883,912	168,983,960
Finance costs	<u>5,108,554</u>	<u>-</u>	<u>5,108,554</u>
Profit (loss) before tax	34,112,845	( 2,305,400)	31,807,445
Tax expense	<u>10,557,314</u>	<u>373,366</u>	<u>10,930,680</u>
<b>Net profit (loss)</b>	<b><u>P 23,555,531</u></b>	<b><u>(P 2,678,766)</u></b>	<b><u>P 20,876,765</u></b>
<b>Segment assets</b>	<b><u>P 471,922,465</u></b>	<b><u>P 169,557,785</u></b>	<b><u>P 641,480,250</u></b>
<b>Segment liabilities</b>	<b><u>P 328,207,906</u></b>	<b><u>P 70,517,870</u></b>	<b><u>P 398,725,776</u></b>

**June 30, 2015**

	<u>Property Management</u>	<u>Rental and Others</u>	<u>Total</u>
Revenues:			
Management fees	P 157,941,677	P -	P 157,941,677
Service income	-	5,530,538	5,530,538
Rental income	-	4,910,460	4,910,460
Finance income	723,687	1,111,412	1,835,099
Others	<u>189,330</u>	<u>11,000</u>	<u>200,330</u>
Gross revenues	158,854,694	11,563,410	170,418,104
Expenses	133,153,099	13,146,026	146,299,125
Finance costs	<u>3,723,847</u>	<u>-</u>	<u>3,723,847</u>
Profit (loss) before tax	21,977,748	( 1,582,616)	20,395,132
Tax expense	<u>7,245,896</u>	<u>228,056</u>	<u>7,473,952</u>
<b>Net profit (loss)</b>	<b><u>P 14,731,852</u></b>	<b><u>(P 1,810,672)</u></b>	<b><u>P 12,921,180</u></b>
<b>Segment assets</b>	<b><u>P 348,967,549</u></b>	<b><u>P 187,360,054</u></b>	<b><u>P 536,327,603</u></b>
<b>Segment liabilities</b>	<b><u>P 312,468,880</u></b>	<b><u>P 64,380,117</u></b>	<b><u>P 376,848,997</u></b>

**5. EARNINGS PER SHARE**

The basic and diluted EPS is computed as follows:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Net profit	<b>P 20,876,765</b>	P 12,921,180
Divided by the weighted average number of outstanding shares	<u><b>2,250,000,000</b></u>	<u>2,250,000,000</u>
Basic and diluted earnings per share	<b><u>P 0.0093</u></b>	<u>P 0.0057</u>

The Group has no potentially dilutive shares as of the end of each reporting period.

## 6. EQUITY

The details of this account for the six months ended June 30, 2016 and 2015 are as follows:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Capital Stock	P 2,062,500,000	P 2,062,500,000
Revaluation reserves	12,844,540	( 25,899,604)
Deficit	<u>( 1,832,590,066)</u>	<u>( 1,877,121,790)</u>
	<u>P 242,754,474</u>	<u>P 159,478,606</u>

## 7. COMMITMENTS AND CONTINGENCIES

The Group has other commitments and contingencies that may arise in the normal course of the Group's operations which have not been reflected in the consolidated financial statements. Management is of the opinion that losses, if any, from these other commitments will not have material effects on the Group's consolidated financial statements.

## 8. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks in relation to financial instruments. The Group's risk management is coordinated with the BOD and focuses on actively securing the Group's short-to medium-term cash flows by minimizing the exposure to financial markets.

Exposure to interest rate, credit and liquidity risk arise in the ordinary course of the Group's business activities. The main objective of the Group's risk management is to identify, monitor, and minimize those risks and to provide cost with a degree of certainty.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The financial risks to which the Group is exposed to are described below.

### **8.1 Interest Rate Risk**

As at June 30, 2016 and December 31, 2015, the Group is exposed to changes in market interest rates through its cash and cash equivalents which are subject to variable interest rates.



## 8.2 Credit Risk

Credit risk is the risk that a counterpart may fail to discharge an obligation to the Group. The maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown on the consolidated statements of financial position under Cash and Cash Equivalents, Trade and Other Receivables (excluding advances to employees) and Due from Related Parties.

None of the Group's financial assets are secured by collateral or other credit enhancements except for the cash and cash equivalents as described below.

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

## 8.3 Liquidity Risk

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a six months and one year period are identified monthly.

The Group maintains cash to meet its liquidity requirements for up to 60-day periods. Excess cash are invested in time deposits. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities.

## 9. CATEGORIES AND FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

### 9.1 Carrying Amounts and Fair Values

The carrying amounts and fair values of the categories of financial assets and financial liabilities presented in the consolidated statements of financial position are shown below.

	June 30, 2016 (Unaudited)		December 31, 2015 (Audited)	
	Carrying Values	Fair Values	Carrying Values	Fair Values
<b>Financial Assets</b>				
Loans and receivables:				
Cash and cash equivalents	P 354,644,559	P 354,644,559	P 299,896,867	P 299,896,867
Trade and other receivables – net (excluding advances to employees)	115,329,858	115,329,858	104,145,778	104,145,778
Due from related parties	58,722,713	58,722,713	53,859,925	53,859,925
	<b>P 528,697,130</b>	<b>P 528,697,130</b>	<b>P 457,902,570</b>	<b>P 457,902,570</b>
<b>Financial Liabilities</b>				
Financial liabilities at amortized cost:				
Trade and other payables	P 169,679,095	P 169,679,095	P 117,266,471	P 117,266,471
Due to related parties	93,026,955	93,026,955	91,076,837	91,076,837
	<b>P 262,706,050</b>	<b>P 262,706,050</b>	<b>P 208,343,308</b>	<b>P 208,343,308</b>

## ***9.2 Fair Value Hierarchy***

The Group uses the following hierarchy level in determining the fair values that will be disclosed for its financial instruments.

- a.) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;
- b.) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,
- c.) Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

The Group's financial assets which are not measured at fair value in the consolidated statement of financial position but for which fair value is disclosed include cash and cash equivalents, which are categorized as Level 1, and trade and other receivables and due from related parties, which are categorized as Level 3. Financial liabilities which are not measured at fair value but for which fair value is disclosed pertain to trade and other payables and due to related parties which are categorized under Level 3.

## **10. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES**

The Group's capital management objectives are to:

- Ensure the Group's ability to continue as a going concern; and,
- Provide an adequate return to shareholders in the future.

The Group also monitors capital on the basis of the carrying amount of equity as presented on the consolidated statements of financial position. It sets the amount of capital in proportion to its overall financing structure, i.e., equity and financial liabilities. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets.

**MANAGEMENT DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION****RESULTS OF OPERATIONS***Review of June 30, 2016 versus June 30, 2015*

The Group's total revenues exhibited an increase of Php35.48 million or 20.82% from Php170.42 million in 2015 to Php205.90 million in 2016 of the same period. Total revenues mostly came from management fees, service income and rental income.

Costs and expenses exhibited an increase of Php27.53 million or 17.48% from Php157.50 million in 2015 to Php185.02 million in 2016. Increase in costs and expenses were mainly due to cost of services and operating expenses.

The Group's net profit showed an increase of Php7.96 million or 61.57% from Php12.92 million in 2015 to Php20.88 million in 2016.

**FINANCIAL CONDITION***As of June 30, 2016 and December 31, 2015*

The Group's total resources amounted to Php641.48 million in 2016 from Php563.07 million in 2015. The Group manages its liquidity needs by carefully monitoring scheduled payments for financial liabilities as well as its cash outflows due in a day-to-day business.

Current assets increased by Php69.87 million or 14.86% from Php470.31 million in 2015 to Php540.17 million in 2016. Cash and cash equivalents increased by Php54.75 million or 18.26% from Php299.90 million in 2015 to Php354.64 million in 2016. Due from related parties increased by Php4.86 million or 9.03% from Php53.86 million in 2015 to Php58.72 million in 2016.

Non-current assets increased by Php8.55 million or 9.22% from Php92.76 million in 2015 to Php101.31 million in 2016. Investment property decreased by Php0.62 million from Php28.51 million in 2015 to Php27.89 million in 2016. Property and equipment increased by Php8.50 million or 40.74% from Php20.86 million in 2015 to Php29.36 million in 2016.

Trade and other receivables increased by Php10.63 million or 9.48% from Php112.17 million in 2015 to Php122.80 million in 2016. Other Assets increased by Php0.29 million or 2.55% from Php11.43 million in 2015 to Php11.72 million in 2016.

Current liabilities increased by Php45.54 million or 20.27% from Php224.60 million in 2015 to Php270.14 million in 2016. Trade and other payables exhibited an increase of Php51.73 million or 41.56% from Php124.48 million in 2015 to Php176.21 million in 2016. Due to related parties slightly increased by Php1.95 million or 2.14% from Php91.08 million in 2015

to Php93.03 million in 2016. Income tax payable decreased by Php8.14 million or 90.01% from Php9.05 million in 2015 to Php0.90 million in 2016.

Retirement benefit obligation increased by Php12.00 million or 10.29% from Php116.58 million in 2015 to Php128.58 million in 2016.

**Material Changes in Year 2016 Financial Statements**  
***Increase/Decrease of 5% or more versus December 31, 2015***

**Statements of Financial Position**

18.26% increase in cash and cash equivalents  
Due to timely collection of receivables as of current period

9.48% increase in trade and other receivables  
Due to additional revenues from management fees and rental income as of the current period

9.03% increase in due from related parties  
Due to additional advances to related parties

40.74% increase in property and equipment  
Mainly due to additional bus units purchased

41.56% increase in trade and other payables  
Due to increase in trade payable and accrued expenses as of the current period

90.01% decrease in income tax payable  
Due to payment of income tax payable for the previous period.

10.29% increase in retirement benefit obligation  
Due to additional accrual of employee retirement benefits for the current period

***Increase/Decrease of 5% or more versus June 30, 2015***

**Statements of Income**

15.09% increase in management fees  
Due to additional properties managed by the subsidiary

144.78% increase in service income  
Due to higher service income generated by the subsidiary

20.19% increase in rental income  
Due to higher rental income generated by the subsidiary

108.02% increase in finance income  
Due to higher interest income generated by the subsidiary

13.75% increase in cost of services  
Due to additional properties managed by the subsidiary

20.73% increase in operating expenses

Due to higher administrative and overhead expenses for the current period

37.18% increase in finance costs

Due to higher interest expense on retirement benefits obligation

46.25% increase in tax expense

Due to higher taxable income for the current period

## **KEY PERFORMANCE INDICATORS**

Presented below are the top five (5) key performance indicators of the Group:

- *Revenue Growth* – The Group generated its revenue mostly from management fees, service income and rental income. The Group's revenues showed an increase of Php35.48 million or 20.82% from Php170.42 million in 2015 to Php205.90 million in 2016.
- *Net Profit Growth* – measures the percentage change in net profit over a designated period of time. The group's net profit increase by Php7.96 million or 61.57% from Php12.92 million in 2015 to Php20.88 million in 2016.
- *Increase in Cash and cash equivalents* – Primarily attributable to collection of receivables and discreet control of finances observably enhanced the cash position. The Group's cash and cash equivalents increased by Php54.75 million.
- *Increase in Trade and other receivables* – Total trade and other receivables increased by Php10.63 million or 9.48% from Php112.17 million in 2015 to Php122.80 million in 2016. Increase is due to continuous flows of revenues in the form of management fees and service income.
- *Increase in Total Assets* – Total assets increased by Php78.41 million or 13.93% from Php563.07 million in 2015 to Php641.48 million in 2016.

There are no other significant changes in the Group's financial position (5% or more) and condition that will warrant a more detailed discussion. Further, there are no material events and uncertainties known to management that would impact or change reported financial information and condition on the Group.

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

There are no other known events that will trigger direct or contingent financial obligation that is currently considered material to the Group, including any default or acceleration of an obligation.

The Group does not anticipate having any cash flow or liquidity problems. The Group is not in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments. The Group has no material commitments for capital expenditures.

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

The Group has no unusual nature of transactions or events that affects assets, liabilities, equity, net income or cash flows.

There are no other material issuances, repurchases or repayments of debt and equity securities.

There are no seasonal aspects that had a material effect on the financial condition or results of operations of the group.

There are no material events subsequent to the end of the period that have not been reflected in the financial statements for the period.

There are no changes in estimates of amount reported in periods of the current financial year or changes in estimates of amounts reported in prior financial years.

SUNTRUST HOME DEVELOPERS, INC. AND SUBSIDIARIES  
Aging of Accounts Receivable  
June 30, 2016

EXHIBIT 7

Type of Receivables	Total	Current/ Not Yet Due	1-3 Months	4-6 Months	7 Months to 1 Year	1-2 Years	Past Due Accounts and Items in Litigation
Trade and Other Receivables	<u>122,801,342</u>	<u>47,275,065</u>	<u>32,188,988</u>	<u>15,676,243</u>	<u>12,903,400</u>	<u>14,757,646</u>	

**SUNTRUST HOME DEVELOPERS, INC. AND SUBSIDIARIES**  
**SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS**  
**JUNE 30, 2016 AND DECEMBER 31, 2015**

**EXHIBIT 8**

	JUNE 30, 2016	DECEMBER 31, 2015
Current ratio	2.00 :1.00	2.09 :1.00
Quick ratio	1.31 :1.00	1.34 :1.00
Debt-to-equity ratio	1.64 :1.00	1.54 :1.00
Asset-to-equity ratio	2.64 :1.00	2.54 :1.00
		JUNE 30, 2015
Return on assets	3.47%	2.51%
Return on equity	8.99%	8.44%

LIQUIDITY RATIOS measure the business' ability to pay short-term debt.

Current ratio – computed as current assets divided by current liabilities

Quick ratio – computed as cash and cash equivalents divided by current liabilities

SOLVENCY RATIOS measure the business' ability to pay all debts, particularly long-term debt.

Debt-to-equity ratio – computed as total debt divided by total stockholders' equity.

ASSET-TO-EQUITY RATIOS measure financial leverage and long-term solvency. It shows how much of the assets are owned by the company. It is computed as total assets divided by total stockholders' equity.

PROFITABILITY RATIOS

Return on assets – net profit divided by average total assets.

Return on equity – net profit divided by average total stockholders' equity.