MANAGEMENT REPORT

CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

During the board of directors' meeting held on October 22, 2015, the board of directors confirmed and ratified the appointment of R.G. Manabat & Co. (an affiliate firm of KPMG) as its External Auditor for the fifth time. Ms. Alicia S. Columbres has been the partner-in-charge of the company for the last two years. Per SRC Rule 68, paragraph 3(b)(iv), the handling audit partner will be rotated every five (5) years, while there should be a cooling off period of two (2) years for the signing partner.

For the Company to observe the two year cooling off period in the audit engagement as required by SRC Rule 68, the new partner in charge will be Vernilo Yu.

There are no changes in and disagreements with accountants on accounting and financial disclosure during the two most recent fiscal years.

INFORMATION ON INDEPENDENT ACCOUNTANT

(a) Audit and Audit-related fees

For the calendar year 2015, the total amount to be billed by external auditors for professional fees and other audit related fees are estimated at Php283,500.00 only plus out-of-pocket expenses.

(b) Tax Fees – none

(c) All other fees – none

The following are SGP Audit Committee's approval policies & procedures for the external auditor:

- Recommend nominees for external auditors
- The Audit Commitee should ensure that the internal and external auditors act independently from each other, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions
- Prior to the commencement of the audit, discuss with the external auditor the nature, scope and expenses of the audit, and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts
- Review the reports submitted by the external auditor
- Evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the Company's overall consultancy expenses. The Audit Committee shall disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence.

- Review and evaluation, on an annual basis (at the minimum), of the performance of the external auditors (including lead partner) and recommend to the Board of Directors the appointment of the external auditor.

- Review the external auditor's proposed audit scope and approach

- On a regular basis, meet separately with the external auditors to discuss any matters that the committee or auditors believe should be discussed privately.

MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

a) As of December 31, 2015

To address profitability issues and recurring net loss problems, on January 1, 2015 , the Company entered into a Shared Service Agreement with MOGRC and CHPC for a period of three (3) years. The Company shall render monthly management consulting and financial advisory services and, in consideration of the services rendered, the Company shall receive a monthly management fee of P300,000 from each entity.

The above income including allowance for impairment on its input tax was sufficient enough to cover normal operating expenses such as stock listing fees, stock transfer agent fees, lawyer's retainer fees, salary of financial comptroller, audit fees , business permits , filing fees and other miscellaneous expenses for the year 2015.

b) As of June 30, 2016

The Company continued to generate income from management fee entered into in 2015 from the Shared Services Agreement with MOGRC and CHPC, and has greatly reduced its operating expenses such as filing fees and lawyer's retainer fees.

To manage liquidity risk, the Company maintains sufficient liquid assets to meeting its maturing obligations and to meet current operating requirements, and does not anticipate any cash flow problem within the next 12 months.

In addition to the information disclosed above, the Company further discloses that:

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

b. The Company does not have or is not aware of any trends, demands commitments, events or uncertainties that will have a material impact on its liquidity.

c. At present, the Company has no material commitments for any capital expenditure.

d. There are no significant elements of income or loss that did not arise from its operations. For the past several years, the Company has continuously sustained losses due to lack of income stream attributable to its non-operation. The Company's proposed corporate re-organization and diversification of its business is intended to improve the Company's performance and address its current financial losses.

e. All expenses of the Company are current and the Company does not expect any direct or contingent financial obligation that is substantial or material.

f. The following is an explanation of material changes in certain items of the Company's financial statements:

<u>Six months ended June 30, 2016 compared with six months ended June 30, 2015</u>

Cash and cash equivalents
Cash and cash equivalents as of June 30, 2016 amounted to P5.45 million, 31.42% higher than the P4.15 million as of June 30, 2015. This is mainly due to other income on reversal of input VAT and lesser operating expenses in 2016 than in 2015.

Other current assets
As of June 30, 2016, the Company recorded other current assets of P2.06 million as compared P.70 million as of June 30, 2015, an increase of 194% due to the reversal of allowance for input VAT as the Company does not expect to have enough future income tax liabilities for which the input VAT can be applied with.

Property and equipment - net
The decrease in property and equipment amounting to P.236 million or 85.72% as compared to the balance as of June 30, 2015 represents depreciation of transportation equipment.

Income
On January 1, 2015, the Company entered into a Shared Services Agreement with MOGRC and CHPC for a period of three (3) years. The Company shall render monthly management consulting and financial advisory services and, in consideration of the services rendered, the Company shall receive a monthly management fee of P300,000 from each entity. The management fee amounted to P3.6 million for the six months ended June 30, 2016.

In 2016, the Company reversed the remaining allowance for input VAT amounting to P1,789,624 as a result of income recognized from the Shared Services Agreement from which output VAT can be offset and claimed.

Interest income for the six months ended June 30, 2016 amounted to P0.006 million, 67.66% higher than the P0.004 million in the same period in 2015.

Operating expenses
For the six months ended June 30, 2016, the Company incurred expenses such as filing fees, salaries and wages, professional fees, taxes and licenses and other operating expenses totaling to P3.18 million, which is 18.37% lower as compared to P3.89 million in the same period in 2015.

<u>Six months ended June 30, 2016 compared to Year ended December 31, 2015</u>

Revenue recognized during the period ending June 30, 2016 and for year ended 2015 represents management fee, interest income from savings deposit and reversal of the Company's allowance for input VAT amounting to P5.40 million and P7.56 million respectively.

Expenses as of June 30, 2016 and December 31, 2015 amounted to P3.18 million and P7.47 million respectively. This resulted to a P0.04 income per share for the period ended June 30, 2016 compared to nil for the year 2015.

Key Performance Indicators

Performance Indicators	Formula	June 30, 2016	December 31, 2015	June 30, 2015	December 31, 2014
Current Ratio	Current Assets /Current Liabilities	74.85 : 1 7,513,947 / 100,388	14.40 : 1 5,535,643 / 384,460	56.70 : 1 4,848,220 / 85,507	16.41: 1 5,246,988 / 319,607
Debt to Equity Ratio	Total Liabilities / Stockholders Equity	.013 : 1 100,390 / 7,531,690	.07 : 1 397,251 / 5,374,739	.017 : 1 87,269 / 5,115,516	.06 : 1 321,369 / 5,398,396
Asset to Equity Ratio	Total Asset / Stockholders Equity	1.013 : 1 7,632,080 / 7,531,690	1.07 : 1 5,771,990 / 5,374,739	1.017 : 1 5,202,785 / 5,115,516	1.06 : 1 5,719,765 / 5,398,396
Equity to Debt Ratio	Stockholders Equity / Total Liabilities	75.02: 1 7,531,690 / 100,390	13.53 : 1 5,374,739 /397,251	58.62 : 1 5,115,516 / 87,269	16.80 : 1 5,398,396 / 321,369
Book Value per share	Stockholders Equity / Total number of shares	0.15 : 1 7,531,690 / 49,466,000	0.11 : 1 5,374,739 /49,466,000	0.10 : 1 5,115,516 / 49,466,000	0.11 : 1 5,398,396 / 49,466,000
Income (Loss) per share	Net Income (Loss) / Total number of shares	0.04: 1 2,156,951 / 49,466,000	0.00 : 1 (23,657) / 49,466,000	(0.12) : 1 (5,874,985) / 49,466,000	(0.14) : 1 (6,696,759) / 49,466,000
Interest Rate Coverage Ratio	EBIT / Interest Expense	N/A	N/A	N/A	N/A

Assets

Total assets as of June 30, 2016 amounted to P7.63 million, wherein 71.41% represents cash and cash equivalents and 28.59% represents other current and noncurrent assets. As of June 30, 2015, total assets amounted to P5.20 million.

Liquidity and Capital Resources

As of June 30, 2016, the Company's current assets exceeded the current liabilities by P7.41 million. The current ratio as of June 30, 2016 decreased as compared to June 30, 2015.

	30 June 2016	30 June 2015
Current Assets	P 7,513,947	P 4,848,220
Current Liabilities	100,388	85,507
Difference	7,413,559	4,762,713
Current Ratio	74.85	56.70

2015 vs. 2014

Cash and cash Equivalents

Cash and cash equivalents as of December 31, 2015 amounted to P5.46 million, 12.06% higher than the P4.88 cash as of December 31, 2014. This is mainly due to the management fees received over the period less operation expenses.

Other current assets
As of December 31, 2015, the Company recorded other current assets of P0.073 million as compared to P0.372 million as of December 31, 2014, a decrease of 80.48% due to the provision of allowance for impairment on input VAT and creditable income tax as the Company does not expect to have enough future income tax liabilities for which the input VAT and creditable withholding tax can be applied with.

Property and equipment – net
The decrease in property and equipment amounting to P0.236 million or 60% as compared to the balance as of December 31, 2014 represents depreciation of transportation equipment.

Income
On January 1, 2015, the Company entered into a Shared Services Agreement with MOGRC and CHPC for a period of three (3) years. The Company shall render monthly management consulting and financial advisory services and, in consideration of the services rendered, the Company shall receive a monthly management fee of P300,000 from each entity.

In 2015, the Company reversed its allowance for impairment on its input VAT amounting to P349,464 as a result of income recognized from the Shared Services Agreement from which output VAT can be offset and claimed.

Interest income for the twelve months ended December 31, 2015 amounted to P0.009 million, 79.37% lower than the P0.044 million in the same period in 2014.

Operating Expenses
For the year 2015, the Company's operating expenses were P7.47 million, an increase of 10.60% compared to P6.75 million in the same period in 2014. The increase is mainly due to the impairment losses recognized on its creditable withholding tax**.**

Foreign Exchange Gain (Loss)
For the year 2015, the Company recorded foreign exchange gain of P0.043 million as compared to the foreign exchange gain of P0.006 million in the same period in 2014 due to the strengthening of the US dollar against the pesos.

2014 vs. 2013

Cash and cash Equivalents
Cash and cash equivalents as of December 31, 2014 amounted to P4.88 million, 57.18% below the P11.38 cash as of December 31, 2013. This is mainly due to the operating expenses incurred over the period.

Other current assets
As of December 31, 2014, the Company recorded other current assets of P0.372 million as compared to P0.091 million as of December 31, 2013, an increase of 308% due to input tax recognized on services received and goods purchased over the period.

Property and equipment – net
The decrease in property and equipment amounting to P0.468 million or 54.28% as compared to the balance as of December 31, 2013 represents depreciation of property and equipment and amortization of computer software.

Income
Interest income for the twelve months ended December 31, 2014 amounted to P0.044 million, 98.57% lower than the P3.09 million in the same period in 2013 due to lower cash placed in short term investments and lower interest rates in 2014.

Operating Expenses
For the year 2014, the Company's operating expenses were P6.75 million, a decrease of 24.26% compared to P8.91 million in the same period in 2013. The decrease is mainly due to lower professional fees paid for 2014 and no impairment of input VAT in 2014.

Foreign Exchange Gain (Loss)
For the year 2014, the Company recorded foreign exchange gain of P0.006 million as compared to the foreign exchange gain of P0.056 million in the same period in 2013 due to the weakening of the US dollar against the pesos.

2013 vs. 2012

Cash and cash Equivalents
Cash and cash equivalents as of 31 December 2013 amounted to P11.38 million, 24.8% below the P15.143 million cash as of 31 December 2012. This is mainly due to available cash at end of year of 2012 intended for the payment of existing loans which fell due on January 2013.

Other current assets
As of 31 December 2013, the Company recorded other current assets of.091 million as compared to P2.42 million as of 31 December 2012, a decrease of 96% due to provision on allowance on impairment of input tax.

Property and equipment – net
The decrease in property and equipment amounting to P.483 million or 35.9% as compared to the balance as of 31 December 2012 represents depreciation of property and equipment and amortization of computer software.

Other receivable and loans payable
As of 31 December 2013, the Company had no outstanding current and non-current other receivables and loans payable, with the transfer of the remaining loan balance to OneTaipan under the Fifth Amendment Agreement in April 2013.

Income
Interest income for the twelve months ended 31 December 2013 amounted to P.196 million, 89.9% lower than the P1.95 million in the same period in 2012 due to lower cash placed in short term investments and lower interest rates in 2013. Other composition of income in 2013 consist of accounts written off of P.671 million and miscellaneous income of P 2.2 million.

Operating Expenses
For the year 2013, the Company's operating expenses were P8.9 million, an increase of 8.3% compared to P8.2 million in the same period in 2012. The increase is mainly due to provision for impairment on input tax of P2.1 million.

Foreign Exchange Gain (Loss)
For the year 2013, the Company recorded foreign exchange gain of P.055 million as compared to the foreign exchange loss of P.418 million in the same period in 2012 due to the strengthening of the US dollar against the pesos.

BUSINESS AND GENERAL INFORMATION

Synergy Grid & Development Phils., Inc. (formerly UEM Development Phils., Inc.) (SGP or the Company) was originally a mining corporation and registered with the Securities and Exchange Commission (SEC) on June 1, 1970 under the name Mankayan Minerals Development Company, Inc.

On February 22, 1994, the SEC approved the Company's change of corporate name to UEM Development Phils., Inc., and the change in its primary purpose from engaging in mining activities to general construction and other allied businesses. The amendment of its primary purpose was due to the potential opportunity in the construction industry brought about by the entry of a new foreign investor.

On October 10, 1997, the SEC approved the Amendment to the Seventh Article of the Company's Articles of Incorporation increasing the par value of its authorized capital stock from P.01 to P1.00, decreasing the Company's shares of stock from 500,000,000 shares to 50,000,000 shares, and stating that the stockholders shall have no pre-emptive rights.

In January 2015, the company was hired by CHPC and Monte Oro Grid Resources Corporation (MOGRC) to render management consultancy and financial advisory services. The management fee amounted to P3.6 million for the six months ended June 30, 2016.

There are no transactions between the Company and any of its directors, executive officers, or stockholders owning more than five (5%) of its outstanding capital stock and any member of their immediate family.

The Company has no subsisting construction, consultancy, sub-contracting, supply, sales or other major agreements with any party. It has no material commitment for any capital expenditure.

The Company has one employee, a Financial Comptroller but has plans to hire employees in the ensuing twelve (12) months.

There are no major risks that the Company is involved in other than the credit and liquidity risks discussed in Note 12 of the Notes to Financial Statements.

SGP does not own any property such as real estate, plant, equipment, mines, patents and the like. SGP does not intend to acquire any real property in the next twelve (12) months. In the absence of any property, the information required on any mortgage, lien or encumbrance and the limitations on ownership or usage over any property is inapplicable to SGP.

MARKET FOR ISSUER'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

(1) Market Information

	Stock Prices	
	High	Low
2013		
1st Quarter	P490.00	P366.00
2nd Quarter	P450.00	P312.00
3rd Quarter	P312.00	P227.00
4th Quarter	P390.00	P240.00
2014		
1st Quarter	P375.00	P170.00
2nd Quarter	P198.10	P178.00
3rd Quarter	P500.00	P175.00
4th Quarter	P310.00	P299.80
2015		
1st Quarter	P310.00	P263.20
2nd Quarter	P310.00	P135.10
3rd Quarter	P220.00	P140.00
4th Quarter	P188.00	P150.00

2016

1st Quarter	P298.00	P133.00
2nd Quarter	P260.00	P158.10

September 21, 2016 (Latest Closing Price) P188.10

(2) Holders

SGP has one hundred forty-seven (144) shareholders. The top 20 shareholders of SGP as of September 12, 2016 are as follows:

TOP 20 STOCKHOLDERS AS OF SEPTEMBER 12, 2016

SHAREHOLDERS	NO. OF SHARES	% OF OWNERSHIP
SY JR., HENRY	22,014,288	44.50%
EAST FLEMING HOLDINGS CORPORATION	21,271,452	43.00%
UNITED ENGINEERS (MALAYSIA) BERHAD	1,472,477	2.98%
MALAYCO, INC.	1,077,520	2.18%
COLLADO, ANTONIO GERARDO B.	840,000	1.70%
CHUA, JOSE T.	830,000	1.70%
TY, BENETO T.	830,000	1.70%
PCD NOMINEE CORPORATION (F)	186,820	.38%
SPAKOWSKI, LUCIA	100,000	.20%
LUHMANN, BERKLEY M.	58,200	.12%
SCHOLEY, GEORGE T.	42,900	.09%
A. R. GARCIA & CO., INC.	40,400	.08%
VICENTE GOQUILAY & CO., INC.	31,000	.06%
SPAKOWSKI, JOHN W.	30,000	.06%
EQUITABLE SECURITIES (PHILS.),INC.	27,000	.05%
ANSELMO TRINIDAD & CO., INC.	26,200	.05%
PHILIPPINE REMNANTS CO., INC.	21,000	.04%
ASSAD, ABLA BADDOUR	20,400	.04%
R. H. MACHADO & CO., INC.	20,000	.04%
LORA ENTERPRISES	20,000	.04%
NGO TIONG KAW	20,000	.04%

* Note: While the SEC has approved the share swap and increase in the Company's authorized capital stock, as of December 31, 2015, the share swap agreement has not yet been effected pending receipt of the approval from one of the regulatory bodies which is essential to the completion of the transaction and as such, the management is taking the position that the shares issued out of the increase in authorized capital stock should not be reported.

On January 28,2016, the shareholders of OneTaipan and Pacifica21 wrote the Company stating their intention to rescind the share swap agreement as the approval of one of the regulatory body has not been obtained and the consummation of the said agreement has been pending for five (5) years already.

On February 23, 2016, upon request of the shareholders of OneTaipan and Pacifica21, the BOD of the Company approved the rescission of the share swap agreement. The BOD further approved the cancellation of the increase in authorized capital stock which was previously approved by the SEC. The stockholders approved the rescission and cancellation of the increase in the special stockholders' meeting on April 28, 2016.

The foreign stockholders of SGP and their corresponding shareholdings as of September 12, 2016 are as follows:

SHAREHOLDERS	NATIONAL	NO. OF SHARES
UNITED ENGINEERS (MALAYSIA) BERHAD	Others (Malaysia)	1,472,477
LUHMANN, BERKLEY M.	American	58,200
SCHOLEY, GEORGE T.	American	42,900
OH CHU KIONG	Chinese	15,000
PCD NOMINEE CORPORATON (NF)	Other Alien	10,380
METROPOLITAN INVESTMENT CORPORATION	American	10,000
MEARS, MABEL E.	American	10,000
NASSR, JUAN D.	Other Alien	10,000
MANDRIAK, ROGER	Canadian	8,600
MITCHELL, WILLIAM E.	American	5,000
SCHOLEY, GUY E.	American	5,000
AWAD, KENNETH RICHARD	American	4,000
BIRMINGHAM, T.J.	American	4,000
LILAY, JOSEPH	Chinese	4,000
DUMMERMUTH, WALTER (DECEASED)	Swiss	3,000
FOSTER, FRANK	American	3,000
KLINGER, JOHN	American	2,000
MITCHELL, PETER	American	2,000
H.E. BENNETH SECURITIES, INC.	Chinese	1,000
F.C. HAGEDORN & CO, INC.	American	1,000
SCIPLE, JAMES O.	American	1,000
YAM SENG LAM	Other Alien	1
Total Foreign Shareholdings		**1,672,558**
Total Outstanding Capital Stock		**49,466,000**
Percentage of Total Foreign Ownership		**3.38%**

(3) Dividends

There is no restriction that limits the ability of Company to pay dividends on common equity other than the unavailability of unrestricted retained earnings. No dividends were declared in 2014 and 2015. No dividends were also declared as of August 31, 2016.

(4) Recent Sales of Unregistered Securities

The Share Swap described in Item 1 is exempt under Section 10.1 (k) of the Code which states that the sale of securities by an issuer to fewer than twenty (20) persons in the Philippines during any twelve-month period is an exempt transaction. Apart from the Share Swap, there were no recent sales of unregistered securities of the Company as of September 12, 2016.

FINANCIAL STATEMENTS

The financial statements and schedules listed in the accompanying Index to Financial Statements and Supplementary Schedules are submitted as Annex 1 as part of this Management Report.