SECURITIES AND EXCHANGE COMMISSION
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Company Information

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Company Type: Stock Corporation

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S.E.C. Registration Number

S T E N I E L   M A N U F A C T U R I N G   C O R P O R A T I O N

(Company's Full Name)

G A T E W A Y   B U S I N E S S   P A R K ,

B R G Y . J A V A L E R A , G E N E R A L   T R I A S

C A V I T E

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

Gino Paulo O. Uy

Contact Person

+632361-9061

Company Telephone Number

1 2   3 1

Month Day

Fiscal Year

1 7 - A

FORM TYPE

Last Tuesday of April

Month Day

Annual Meeting

Secondary License Type, If Applicable

C F D

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Total Amount of Borrowings

Domestic	Foreign
-	–

To be accomplished by SEC Personnel concerned

File Number

LCU

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended : 31 December 2024

2. SEC Identification Number : 23736

3. BIR Tax Identification No. : 000-099-128

4. Exact name of issuer as specified in its charter: Steniel Manufacturing Corporation

5. Province, Country or other jurisdiction of incorporation or organization
   Philippines

6. [ ] (SEC Use Only)
   Industry Classification Code:

7. Address of principal office
   Gateway Business Park, Brgy. Javalera, General Trias, Cavite

8. Issuer's telephone number, including area code
   (046) 433-0066

9. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Shares	1,418,812,081

10. Are any or all of registrant's securities listed on a Stock Exchange?

    Yes [✓] No [ ]

11. The Company's 876,182,045 common shares are listed at the Philippine Stock Exchange.

12. Check whether the issuer:

    (a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 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 (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 ninety (90) days.

    Yes [ ] No [✓]

13. The aggregate market value of voting stocks held by non-affiliates: About ₱ 598.6 million (based on the closing price as of March 31, 2025 and outstanding shares owned by the public as of December 31, 2024).

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PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

Steniel Manufacturing Corporation ("Steniel", "STN" or the "Company") and its subsidiaries are engaged in the manufacture and distribution of corrugated boxes. The Company is one of the oldest operating packaging manufacturers in the Philippines. STN has developed a niche in high-quality corrugated boxes for high-value consumer goods and agricultural exports. The Company has also developed strong in-house capabilities in sourcing, manufacturing, supply chain management, and quality assurance – this allows the Company to meet the demanding requirements of its clientele. STN was the largest independent manufacturer of corrugated boxes in the Philippines prior to its business slowdown amidst the Asian Financial Crisis in 1997.

STN's operations slowed down significantly after the 1997 Asian Financial Crisis, as increased competition as well as the Company's outdated infrastructure weighed on profitability. In 2006, Steniel's former shareholders authorized the Company to enter into debt rehabilitation proceedings. Petitions for rehabilitation were filed in 2007 for the Company and its subsidiaries, which were all dismissed in 2009. By 2012, a new shareholder group completed the acquisition of the outstanding debt of STN and equity interest in the Company.

STN has a broad roster of multinational FMCGs, customers, fruit exporters, and domestic packaged food manufacturers. This includes well-known companies such as Dole Philippines, Lapanday Foods Corporation, Lapanday Diversified Products Corporation, and Philippines Spring Water Resources, among others. The Company has an aggregate production capacity of 129.0 million square feet per month across two wholly owned production plants in Mindanao.

The Company invests significant resources to ensure the quality of its products and the stability of its production. This includes the following:

- Establishment of a robust supply chain with multiple redundancies – STN sources high quality virgin pulp paper from USA, New Zealand, Finland, and Sweden, as well as high grade recycled pulp paper from Indonesia, Thailand, and Japan;
- Significant capital investment in state-of-the-art automated production lines to manufacture its corrugated boxes;
- Vertical integration efforts with in-house warehousing, adhesive manufacturing for corrugators, and ink kitchens;
- In-house quality assurance protocols and machinery to ensure that its products remain within pre-determined specifications;
- Acquisition and development of new technical innovations, such as its proprietary dehydrator and large-scale digital printer; and,
- Continuous training and talent development to ensure a deep pool of expertise.

The Company is continuously automating its process flow to maximize production capacity while ensuring quality. An overview of the Company's manufacturing flow is shown below:

- The Company obtains high quality paper reels from its global supplier list.
- The paper reels are fed into the corrugator, which manufactures the corrugated boards by pressing the paper into flutes, after which a top and bottom sheet is glued on.
- These boards are then scored/slotted, printed, and punched into the desired box shapes.
- These boxes are folded and packed and then shipped to the end customer.

The Company was incorporated on September 13, 1963 and was granted with extension of its corporate term for another 50 years on September 11, 2013 by the SEC. With the passage of the Revised Corporation Code, the Company now has perpetual existence.

Petitions for Rehabilitation and Debt Restructuring

In 2000, the Company entered into a loan agreement with a group of banks and financial institutions pursuant to which the Company was granted a P636 Million term loan. The loan was secured by real and chattel mortgages. Unfortunately, due to the working capital drain as a result of prior debt service payments and the difficult business and economic conditions, the Company found it difficult to sustain further payments of debt while at the same time ensuring continued operations. STN failed to settle its outstanding short-term and long-term loans which were supposed to mature at various dates in 2004, 2005, and 2006 and was declared by the lending banks in default in May 2006. The lending banks subsequently sold and assigned the loan balances.

In July 2006, the Company's shareholders approved the filing of borrower-initiated petitions for rehabilitation. At the time of the filing of the said petitions, the Company lacked liquidity but had assets that can adequately cover its liabilities. Following the Company's disclosure of the authorization to enter into rehabilitation proceedings, PSE imposed a trading suspension on the shares of the Company on July 5, 2006.

From 2007 to 2009, petitions for corporate rehabilitation were filed with different regional trial courts, which were all dismissed in 2009.

In 2009, the Company commenced discussions on the restructuring of the loan. In October 2010, STN executed the Amended and Restated Omnibus Agreement (the "Restructuring Agreement") whereby the outstanding principal and accrued interest expense as at September 30, 2010 was restructured for 25 years.

In order to reduce the loan, the parties agreed to (i) exchange or dacion (a) all of the outstanding common and preferred shares of stock in Steniel Land Corporation and (b) identified idle assets of STN and SCPC in favor of Greenkraft. and (ii) convert the loan into equity though the issuance of shares from STN's unissued capital stock.

As at December 31, 2023, the restructured loan was fully paid.

STN Subsidiaries

The Company and the STN Subsidiaries (collectively, the **"Group**") are engaged in the manufacturing, processing and selling of all kinds of paper products, paper board and corrugated carton containers, and all other allied products and processes. These STN Subsidiaries are:

STN Subsidiaries	Date of Registration	SEC Registration No.
Steniel Cavite Packaging Corporation (SCPC)[1]	Oct. 21, 1993	AS093-8725
Steniel Mindanao Packaging Corporation (SMPC)	June 30, 1995	AS095-006250

- SCPC was incorporated and registered with the SEC on November 9, 1993 primarily to engage in the manufacturing, processing and selling of all kinds of paper products, paper board and corrugated carton containers and all others allied products and processes.

  TPC was incorporated and registered with the SEC on May 23, 1994 primarily to engage in the manufacturing, processing, purchasing, and selling on wholesale basis, paper, paper rolls, paper boards, cartons, containers, packaging material and other pulp and paper products. The registered office address and principal office of TPC was located at Hernan Cortes Street, Manduae City, Cebu, Philippines.

[1] Treasure Packaging Corporation (TPC) was merged with SCPC on May 30, 2018.

In 2016, the merger between SCPC and TPC (the former as the surviving entity) was approved by the Board of Directors and shareholders of both corporations. The application for merger was approved by the SEC on May 30, 2018.

SCPC's principal office is located at Gateway Business Park, Brgy. Javalera, General Trias, Cavite, Philippines.

- SMPC was incorporated on June 30, 1995 primarily to engage in the business of manufacturing, importing, buying, selling or otherwise dealings in, at wholesale and retail, all kinds of paper, paper rolls, paper boards, cartons, containers, packaging materials and other pulp and paper products. SMPC was a wholly-owned subsidiary of the Company.

  In December 2013, the Company sold its entire equity share in SMPC. The book value then of SMPC was Php 0.932 per share but it was sold by the Company at a price of Php 2.16 per share. The Company saw an opportunity to cash in on its investment considering that due to stagnating operations and with SMPC's increasing deficit, the continuing ownership of SMPC will further affect the deficit of STN. The sale was completed in December 2013 where STN realized a premium of Php 1.23 per share.

  In 2019, the BOD and stockholders of the Company approved the reacquisition of shares of SMPC through a share swap transaction wherein all shareholders of SMPC will exchange all their shares in SMPC for shares of the Company. In preparation for these share issuances as a result of the share swap and conversion to equity transactions, the Company's BOD approved the increase of the Company's authorized capital stock from Php1 Billion to Php2 Billion. The same was approved and ratified by the stockholders during the annual stockholders' meeting held on July 17, 2019 and reconfirmed on November 19, 2020.

  On December 29, 2020, the Company issued 269,250,000 shares to the shareholders of SMPC effecting the share swap following the SEC approval of the Company's increase in authorized capital stock on the same day. The transfer of the SMPC shares in favor of the Company was subsequently recorded after the relevant CARs were issued by the Philippine Bureau of Internal Revenue ("BIR").

  SMPC's principal place of business is located at Km. 25 National Highway, Bunawan District, Davao City.

Recent Acquisitions

The Company, through SCPC and SMPC, acquired the box plant assets used by Dole Philippines, Inc. ("Dole") in Davao del Norte for the production of its packaging materials. Dole is engaged in producing fresh fruits for export and local sales.

The box plant assets, all located in Davao Del Norte, consist of the buildings, other land improvements, machines, motor vehicles as well as the land where the box plant is located. SCPC acquired the land from Diamond Farms, Inc. on December 1, 2021 and the rest of the box plant assets from Dole on January 24, 2022. Dole turned over the operations of the box plant assets on February 24, 2022.

Simultaneous with the acquisition of the box plant assets was the execution of an agreement between Dole and SMPC for the supply of boxes, labels and other packaging materials made of paper related products.

With a minimum purchase commitment from Dole, the Supply and Purchase Agreement (also referred as Long Term Supply Agreement or LTSA) is effective from February 24, 2023 to February 23, 2032, and later extended to February 23, 2033.

With the foregoing acquisitions and contractual arrangements with Dole, the Company, through SCPC and SMPC, expects to increase STN's production capacity from 64.5 million square feet per month to 129 million square feet per month and to double its revenues.

Operations

Marketing and sales

The Company maintains a dedicated sales team with a proprietary customer list. To develop its client base, STN primarily relied on the network and professional relationships of the STN Principals. Moreover, the Company continuously develops its pipeline of active customers by leveraging on Steniel's strong brand equity developed through its long history. STN also continuously supports its clients' events and participates in major trade shows of key industries, such as banana and tuna.

Steniel mainly relies on its strong brand equity and reputation for quality to entice new customers. However, the Company makes strong efforts to satisfy its clientele. This includes having an in-house design studio, as well as remaining very flexible in terms of product specification. The Company can work alongside its customers to ensure that the packaging design and specifications are tailored to its customers' specific requirements.

Suppliers

Paper is the key input product used by Steniel to manufacture corrugated boxes. To ensure the quality of its products and the stability of its production, Steniel relies on a broad base of paper suppliers. This strengthens the Company's supply chain by introducing redundancies in the event of paper shortages. Moreover, the Company uses several grades of paper, depending on the specifications stipulated by its customers. This allows STN to offer a broader suite of products to match its customers' price points. Key suppliers include providers from Japan, New Zealand, the United States, Sweden, Indonesia, and the Philippines. Meanwhile, STN relies on various local suppliers to provide ancillary inputs such as starches for its adhesives and dyes for its inks.

The Company deals directly with these suppliers through its in-house procurement team. This allows Steniel to develop deeper relationships with upstream manufacturers and further improves stability of supply. The Company has a proprietary warehouse where raw materials are stored. This allows STN to strategically increase paper inventory during low paper prices to maximize profitability .

Transactions with and/or Dependence on Related Parties

Transactions with related parties in the day-to-day course of business include inter-company sale and/or transfer of inventory and equipment. Related party transactions are always made at arms-length.

Patents, Trademarks Copyrights and Licenses

The operations of the Company are not dependent on any copyright, patent, trademark, license, concession or royalty agreement. The Company has registered the following with the Intellectual Property Office:

Registration No.	Mark	Registration Date	Expiry Date
518498	Steniel	September 30, 2022	September 30, 2032
518501	STENIEL	September 30, 2022	September 30, 2032

New Products and Existing or Probable Government Approval for Products or Services

Not applicable.

Effect of Existing or Probable Government Regulations on the Business

The Company is not aware of any pending legislation or governmental regulation that is expected to materially affect its business.

Cost and Compliance with Environmental laws

The costs for the material permits (i.e., Incorporation process, Business Permits, Licenses to Sell) as well as the cost for compliance with environmental laws (i.e. obtaining an Environmental Compliance Certificate) only includes the requisite processing and filing fees amounting to approximately Php 28 million.

Material Reclassification, Merger, Consolidation, or Purchase or Sale of a Significant Amount of Assets Not Within the Ordinary Course of Business

As discussed in Note 10 in the Notes to the Consolidated Financial Statements, the Company reclassified certain remaining assets and shares of stocks in an associate from investment to assets held-for-sale which was subject to *dacion en pago* under the provisions of the Amended Agreement. The assets and shares are measured at lower of the carrying amount and fair value less cost to sell. The *dacion en pago* was completed in 2023.

Cost of Research and Development Activities

Not applicable.

Employees

As of December 31, 2024, STN and the STN Subsidiaries collectively have 256 regular employees and 16 probationary employees, totaling 272 employees.

	Company	SMPC	SCPC	Total
Managerial	8	10	4	22
Supervisory	-	25	21	46
Rank & File	-	103	101	204
Total	**8**	**138**	**126**	**272**

The Group also engages an independent service provider which assigned a total of 320 personnel to support the Group’s operations

As of the date of this Prospectus, the Company does not intend to increase its manpower complement for the next 12 months.

43 of the rank-and-file employees of SMPC belong to the Steniel Mindanao Workers Union – Federation of Democratic Labor Organization (the **“Union**”). The Union is the sole and exclusive bargaining agent of the rank-and-file employees and does not include probationary employees, temporary employees, contractual employees, security guards, VP-General Manager and all managers and supervisors. The Collective Bargaining Agreement was effective until January 31, 2025. CBA negotiations are ongoing.

The Company’s management has maintained good relations with its employees and has not experienced any strike or work stoppage in past 10 years.

Item 2. Properties

STN, through STN Subsidiaries, own fourteen (14) parcels of land and improvements where the manufacturing plants are located. Please refer to Note 11 – Property and Equipment, of the Notes to Consolidated Financial Statements for the table of properties. Majority of the Group's building and building improvements, leasehold improvements and machinery and equipment are encumbered in favor of BDO pursuant to the Omnibus Loan and Security Agreement dated November 29, 2021.

Item 3. Legal Proceedings

As of December 31, 2024, the Company and its subsidiaries are not involved in any material litigation, arbitration, or similar proceedings and is not aware of any such proceedings pending or threatened against it or any its properties, which are or might be material.

Item 4. Submission of Matters to a Vote of Security Holders

There were no matters submitted to the vote of security holders during the fiscal year covered by this report.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Issuer's Common Equity and Related Stockholder Matters

Market Price

The Company's common shares are listed on The Philippine Stock Exchange, Inc. ("**PSE**"). The table below sets out, for the periods indicated, the high and low sales for the Company's common shares in 2023, 2024 and first quarter of 2025.

Quarter	2023		2024		2025	
	High	Low	High	Low	High	Low
First	No transaction		No transaction		1.90	1.85
Second	No transaction		1.82	1.73	-	-
Third	No transaction		1.89	1.73	-	-
Fourth	No transaction		1.57	1.45	-	-

In ₱ per share

As of March 31, 2025, the closing price of the Company's common shares was ₱1.90 with a total market capitalization of ₱ 2,695,742,953.90.

Holders

The following are the top 20 stockholders of the Company as of December 31, 2024:

	Name	Number of Shares	% Ownership
1	Golden Bales Corporation	276,321,061	19.48
2	Corbox Corporation	276,321,061	19.48
3	Roxburgh Investments Limited	261,910,502	18.46
4	Greenkraft Corporation	258,554,339	18.22
5	PCD Nominee Corporation (Filipino)	155,492,606	10.96
6	Ismael T. Cuan	60,000,000	4.23
7	Clement O. Chua	30,671,637	2.16

	Name	Number of Shares	% Ownership
8	Rex Chua	30,671,637	2.16
9	Valmora Investment & Management Corporation	10,443,860	0.74
10	PCD Nominee Corporation (Non-Filipino)	2,342,703	0.17
11	Rustico &/Or Lolita Garingan	2,097,276	0.15
12	Delfin R. Maceda	1,980,000	0.14
13	Calvin C. Chua	1,828,500	0.13
14	Sally C. Ong Pac	1,450,000	0.10
15	Leonardo T. Siguion-Reyna	1,151,839	0.08
16	Christopher Chua	1,000,000	0.07
17	Segovia Capital Holdings Devt. Corp.	940,604	0.07
18	Estate of Mamerto Endriga	906,011	0.06
19	Stanley C. Sy	750,000	0.05
20	Manuel T. Carmona	727,879	0.05
	Subtotal	1,375,561,515	96.96
	Others	43,250,566	3.04
	GRAND TOTAL	**1,418,812,081**	**100**

The Company's securities consist of outstanding common shares.

As of December 31, 2024, the Company has a public float level of 22.20%.

Dividends

The Company did not declare any dividends for the years ended December 31, 2022, 2023 and 2024. Based on its By-Laws, dividends may be declared from the surplus profit at such time or times and in such percentage as the Company's Board may deem proper. No dividend shall be declared that will impair the capital of the Company.

Recent Sales of Unregistered Securities

On December 29, 2020, the Company issued a total of 418,821,081 common shares upon approval by the SEC of its application for increase of authorized capital stock from Php1 Billion to Php2 Billion. The subscription was partly paid by debt-to-equity conversion and partly through a share for share swap transaction. By virtue of this activity, (i) the Company's debt was reduced by Php149,562,081.00 upon conversion of the equivalent debt into equity, and (ii) SMPC became its wholly owned subsidiary.

Said issuance is considered an exempt transaction under SRC 10.1 (e) or the sale of capital stock of a corporation to its own stockholders exclusively, where no commission or other remuneration is paid or given directly or indirectly in connection with the sale of such capital stock and (i) or the subscriptions for shares of the capital stock of a corporation prior to the incorporation thereof or in pursuance of an increase in its authorized capital stock under the Corporation Code, when no expense is incurred, or no commission, compensation or remuneration is paid or given in connection with the sale or disposition of such securities and only when the purpose for soliciting, giving or taking of such subscriptions is to comply with the requirements of such law as to the percentage of the capital stock of a corporation which should be subscribed before it can be registered and duly incorporated, or its authorized capital increased.

Apart from the foregoing, there are no recent sales of unregistered or exempt securities.

Item 6. Management's Discussion and Analysis or Plan of Operation

Results of Operation

Consolidated revenues for the year ended December 31, 2024 totaled Php 3,277 million while revenue recorded in previous years amounted to Php 3,407 million and Php 2,205 million for the years ended December 31, 2023, and 2022, respectively. Revenues mainly consist of the manufacturing and selling of cartons and packaging materials to domestic and international markets.

Cost of sales and expenses applicable to the manufacturing business totaled Php 2,737 million for the current year ended December 31, 2024, and Php 2,994 million and Php 1,824 million for the previous years ended December 31, 2023, and 2022, respectively. Gross profit margin for the current period posted at 16.49%, compared to previous year's margin of 12.12% in 2023 and 17% in 2022. The increase was due to improved cost management effort.

Operating expenses during the current year ended December 31, 2024 posted Php 380.87 million compared to previous years ended December 31, 2023 and 2022 of Php 331.94 million and Php 268.13 million, respectively. The increase of Php 48.93 million from 2023 to 2024 was due to increase in salaries, wages and employee benefits, and professional fees and outside services, as a result of increased and improved administrative functions after the acquisition of SMPC, and the recognition of additional provision for expected credit losses for the year in compliance with PFRS 9.

Finance charges recognized during the current year ended December 31, 2024 and in the previous years ended December 31, 2023 and 2022 amounting to Php 93.6 million, Php 81.58 million, and Php 45.93 million, respectively, are related to short-term and long-term bank borrowings to support the plant's operation.

Other income, net for the year ended December 31, 2024 amounted to Php 76.37 million compared to previous years ended December 31, 2023 and 2022 other income of Php 126.85 million, and Php 36.72 million, respectively. The significant decrease from 2023 to 2024, and increase from 2022 to 2023, is attributable to gain on disposal of investments related to the completion of dacion en pago recognized in 2023 amounting to Php 69.40 million.

Income tax expense for the current year ended December 31, 2024 amounted to Php 42.17 million compared to previous years ended December 31, 2023 and 2022 amounting to Php 44.45 million and Php 2.64 million, respectively.

Overall, the Group realized a consolidated net income of Php 100.16 million for the year ended December 31, 2024 compared to Php 81.86 million, and Php 28.36 million for the previous years ended December 31, 2023, and 2022, respectively. The increase was mainly attributed to the improvement in the operations in 2024, while the increase in 2023 was due to the gain recognized from dacion en pago completion.

Financial Position

Total current assets as at December 31, 2024, totaled Php 3.66 billion as compared to Php 3.28 billion, and Php 3.12 billion in 2023, and 2022, respectively. The increase was mainly due to the increase in inventories to supply increasing sales of the Group. Non-current assets increased to Php 1.03 billion as at current year-end against Php 940.87 million, and Php 1.03 billion.

The Group's consolidated current liabilities as at current year-end totaled Php 3.30 billion as compared to Php 2.87 billion and Php 2.83 billion in 2022. The increase was mainly attributed to the increase in purchases. SMPC, the operating subsidiary's working capital was secured from bank loans to sustain its operation and commitments to clients.

Total assets as at year-end 2024 totaled Php 4.69 billion compared to Php 4.22 billion in 2023 and Php 4.12 billion in 2022. In view of the foregoing discussions, the Steniel Group's current ratio as of year ended December 31, 2024 recorded at 1.11 and previous years ended

December 31, 2023,and 2022 at 1.14 and 1.10, repectively. Debt-to-equity ratio in 2024 is 3.82 compared last year at 3.91 and 4.46.

Plans and Strategies

The Company temporarily ceased its operations due to heavy losses incurred in prior years that Management had to take measures to mitigate the losses and look for means to address the Retained Earnings and Capital Deficiency. Action plans had been gradually implemented until July 2019 when the Board approved the re-acquisition of SMPC through a share swap transaction and the conversion of the outstanding long-term loans from creditors Greenkraft and Roxburgh into common shares of the Company. Subsequently, the Company's shareholders approved the amendment of the Company's Articles of Incorporation to accommodate the transactions.

On December 29, 2020, following the approval of SEC of the Company's application for increase of authorized capital stock from Php1 Billion divided into 1 Billion common shares to Php2 Billion divided into 2 Billion common shares, the Company issued a total of 418,812,081 shares resulting from the debt to equity conversion and share swap transaction.

The issuance of 149,562,081 shares to the creditors effecting the debt to equity conversion reduced the outstanding loan by Php 149.56 Million. The issuance of 269,250,000 shares to the shareholders of SMPC and issuance of corresponding CARs, effecting the share swap transaction valued at Php269.250 Million, resulted to the reacquisition of SMPC as a wholly owned subsidiary of the Company.

Corollary to this, the Company recognized a provisional income of Php 158.265 Million for the period ending December 31, 2020 attributed to the share swap. Management employed the services of third-party valuation specialists to ascertain the fair value of consideration transferred and the fair value of the net assets of the acquired subsidiary amounting to Php 536.709 Million resulting to a final net gain on acquisition amounting to Php 267.459 Million lodged under Other Income in 2020 and 2021. Further, the realization of the foregoing transactions resolved the capital deficiency of the Group in 2021 and 2020.

The Management is optimistic for the Group to get back to its core business, more competitive with sustainable and profitable operation.

There are no known trends, events or uncertainties that will have a material impact on the Group's future operations except those that have already been disclosed in the foregoing.

Item 7. Financial Statements

The Company's consolidated and separate audited financial statements for the period ended December 31, 2024 attached as Annexes "A" and "B".

Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

The Company has engaged the services of Valdes Abad & Company during the most recent two fiscal year and R.G. Manabat & Co., during the fiscal tear 2022. The Company intends to hire R.G. Manabat & Co for the development of its STN Key Performance Indicator dashboard in 2024, hence, the need to change the external auditor for 2023.

There has been no event in the past three (3) years where the external auditors and the Company had any disagreement with regard to any matter relating to accounting principles or practices, financial statement disclosures or auditing scope or procedures.

There were no disagreements with the Company's external auditors on any accounting and financial disclosures.

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Corporate Officers of the Company

Directors and Officers

The term of office of directors of the Company is one (1) year. As of December 31, 2024, the directors and corporate officers of the Company were:

Directors	Age	Position
Nixon Y. Lim	54	Chairman/President & CEO
Mark O. Vergara	58	Director
Eliza C. Macuray	67	Director and Treasurer
Esteban C. Ku	60	Director
Rhea M. Alarcon	53	Independent Director
Arnold S. San Gabriel	60	Independent Director
Jose Luis G. Santillan	55	Independent Director
Janice L. Co	41	Corporate Secretary
Gino Paulo O. Uy	39	Compliance Officer
Maribel O. Severino	66	Investor Relations Officer

Nixon Y. Lim

Mr. Lim was elected to the Board of Directors on October 20, 2010 and currently serves as Chairman of the Board. Mr. Lim is the President of Green Siam Resources Corporation, Greenkraft Corporation, Golden Bales Corporation and Greenkraft Corporation. Mr. Lim has worked extensively in the packaging business, particularly in the field of sales, marketing, manufacturing and finance. Mr. Lim is also a director of Crown Equities, Inc., a publicly listed company. He holds a degree in BS Physics from the De La Salle University, Manila, having graduated in 1992.

Mark O. Vergara

Mr. Vergara was elected to the Board of Directors on October 14, 2011. He is a senior partner of the firm Martinez Vergara & Gonzalez Sociedad. He received his Juris Doctor degree from the Ateneo de Manila Law School in 1992, and his Bachelor of Science in Legal Management degree from the Ateneo de Manila University in 1988. He was admitted to the Philippine Bar in 1993. Mr. Vergara is currently a Director of MVG Securities, Inc., Antilia Property Holdings, Inc., Nikipak Philippines Incorporated, MDM Property Corporation, Korner Market Phils. Inc., and ExlService Philippines, Inc. He is the Treasurer of Puhunan, Inc., MNMI Holdings, Inc., Tanguile Holdings, Inc., and Prime Genesis Central Capital, Inc. Mr. Vergara serves as Corporate Secretary of several companies, including GLG Crown Holdings Corporation, Crown Equities, Inc. Organisational Support Services, Inc., Citifinancial Holdings Corporation, Pacific Harbor Investments Holdings Philippines, Inc., MV Holdings Inc. and Green Siam Resources Corporation.

Eliza C. Macuray

Ms. Macuray was elected to the Board of Directors on December 26, 2013. She received her Bachelor of Science in Commerce, major in Accounting, from Arellano University. Prior to her joining the Group, her previous work experience was with United Pulp and Paper Co., Inc. for more than 2 decades, where she gained her experience in the paper business, particularly in finance with focus on tax matters. She also served as Accountant to Orange Performance Techniques Inc. She is currently the Comptroller of Container Corporation of the Philippines.

Esteban C. Ku

Mr. Ku was elected to the Board of Directors on October 14, 2011. He holds a degree in Bachelor of Science, Major in Chemical Engineering from the University of San Carlos in Cebu

City, where he graduated in 1988. From 1989 to 1992, he was a production supervisor for International Pharmaceutical, Inc. in Xiamen, China. He has since focused on the packaging business, having gained extensive experience in plant operations, sales and marketing and finance. Mr. Ku is currently the Managing Director of Corbox Corporation and Pakmaster Packaging Co.

Rhea M. Alarcon

Rhea M. Alarcon was elected to the Board of Directors on July 31, 2018. She is a Partner at Design to Make a Difference, Inc. (Plus63 Design Co.) and a Managing Partner at Gem Sign Company. Ms. Alarcon was formerly a Partner and Managing Director of Ideals Creatives, Inc. from 2006 to 2011. She also acted as Deputy Executive Director of Children's Hour Philippines, Inc. from 2002 to 2007, and the Executive Director of Culinary Education Foundation from 2001 to 2002. Ms. Alarcon was Supervisor and Department Head – Community Relations and Internal Affairs at Globe Telecom, Inc. from 1995 to 2000. Ms. Alarcon received her Bachelor of Science, Major in Hotel and Restaurant Administration, from the University of the Philippines. She also completed units in Masters of Community Development program from the same university.

Arnold D. San Gabriel

Mr. San Gabriel was elected to the Board of Directors on July 5, 2024. He is an expert in financial modeling for complex projects and has extensive experience in due diligence and structuring, analyzing key business/transaction issues. He is currently a Director and the Treasurer of Olongapo Maintenance Services, Inc., and oversees the financial management activities of the company. He is also a Director at LT Dausons Industries Inc. From 2014 to 2023, he acted as the Chief Risk Officer and Country Credit Risk Manager of Citibank. N.A.

Mr. San Gabriel holds a degree in Bachelor of Science, Management – Honors Program from Ateneo de Manila University, where he graduated in 1988. He obtained his Master's degree in Business Administration from Cornell University in 1994.

Jose Luis G. Santillan

Mr. Santillan was elected to the Board of Directors on July 5, 2024. He has extensive experience as a financial advisor for debt restructuring, feasibility studies, and fund raising for various industries in the Philippines. He currently acts as fractional Chief Finance Officer or financial consultant to a farm-to-table social enterprise, a quick service restaurant chain, a healthcare facility and a circular economy company. Mr. Santillan is currently an Adjunct Faculty at the Asian Institute Management and a Senior Lecturer at the University of the Philippines, Diliman. From 2018 to 2020, he was the Director of Finance and the Risk and Compliance Officer of Dusit Hospitality Education Philippines Inc./Dusit Thani Philippines.

Mr. Santillan received his Bachelor of Science in Economics from the University of the Philippines in 1991. He also received a Financial Modeling and Valuation Analyst (FMVA) Certifications from the Corporate Finance Institute, and Post Graduate Certificate in Leadership from the Asian Institute of Management.

Janice L. Co

Ms. Co was appointed Corporate Secretary on October 13, 2021. She is a Partner at Martinez Vergara & Gonzalez Sociedad from 2021 up to the present. She earned her Bachelor's degree in Political Science from the Ateneo de Manila University and a Juris Doctor degree from the Ateneo de Manila University School of Law. Ms. Co serves as Corporate Secretary or Assistant Corporate Secretary to many companies, including Basic Energy Corporation, a publicly listed company.

Gino Paulo O. Uy

Mr. Uy was appointed Compliance Officer on July 5, 2024. He has extensive experience in assisting publicly-listed companies in their day-to-day corporate, legal and regulatory compliances and requirements. Aside from being a corporate services practitioner, he also handles inbound immigration requirements of individual and corporate clients. He has assisted corporate clients in transaction agreements for various capital market issuances such as long-term negotiable certificates of deposit, medium-term note and green bonds. He has been part of due diligence teams for listing applications and mergers & acquisitions, and have acted as counsel to both issuers and underwriters, as well as to sellers and acquirers in these transactions. He holds a Bachelor's Degree in Psychology from the University of the Philippines Diliman and a Juris Doctor from the UP College of Law.

Maribel O. Severino

Ms. Severino was appointed Investor Relations Officer on August 2, 2024. Ms. Severino holds a Bachelor of Science degree in Business Management from Ateneo De Manila University. She is an experienced professional with credentials in Philippine Equities, Sales & Marketing, Investment Banking, Compliance, and Logistics. She has worked with PCCI Securities, Angping Securities, Nomura Securities (Phils), Nihao Mineral Resources Int'l, DHL Worldwide Express (Phils), Philippine National Bank, and Citytrust Banking Corporation.

Significant Employees

No single person is expected to make a significant contribution to the business since STN considers the collective efforts of all its employees as instrumental to the overall success of its performance.

Family Relationships

There are no family relationships between directors and executive officers of the Company.

Involvement in Legal Proceedings

The Company is not aware of any bankruptcy proceedings filed against any of its directors or executive officers, nor of any criminal conviction or final judgment barring or limiting any business involvement or any order or judgment subjecting said directors or executive officers, or a violation of a securities or commodities law or regulation filed against any of its directors or executive officers, during the past five (5) years ending December 31, 2024.

Item 10. Executive Compensation

Compensation Summary

The aggregate compensation paid or incurred during the last two (2) fiscal years and estimated to be paid in the ensuing fiscal years to the directors and executive officers of the Company are as follows:

	Year	Salary (in Php)	Bonus	Other Annual Compensation
Top 5 most highly compensated executive officers	2025 (est)	5,720,000.00	-	11,050,000.00
	2024	5,755,933.33	-	11,001,495.60
	2023	330,000.00	-	6,010,083.33
Aggregate compensation paid	2025 (est)	-	-	2,799,998.40*
	2024	-	-	1,272,221.90*

to all other officers and directors as a group	2023	1,230,865.39	-	-

**Pertain to per diem*

Standard Arrangements

The Company's By-Laws provide that directors as such shall receive compensation for their services as may be approved by stockholders representing at least a majority of the outstanding capital stock. During the current year, the stockholders did not pass any resolution authorizing payment of compensation to the Company's directors. The members of the Board of Directors, except those holding management positions in the Company, are entitled to per diem allowance for his attendance at each Board and committee meetings.

There are no other arrangements for compensation either by way of payments for committee participation or special assignments other than reasonable per diem. There are also no outstanding warrants or options held by STN's CEO, other officers and/or directors.

Employment Contracts and Termination of Employment and Change-in-Control Arrangements.

The Company and its Subsidiaries have executed pro-forma employment contracts with their staff and officers. These contracts basically specify the scope of services expected from these individuals and the compensation that they shall receive.

There are no arrangements for compensation to be received by these named executive officers from the Company in the event of a change in control.

Warrants and Options Outstanding

There are no warrants or options granted by the Company to any of its directors or executive officers.

Item 11. Security Ownership of Certain Record and Beneficial Owners and Management

Security Ownership of Certain Record and Beneficial Owners

As of December 31, 2024, the stockholders holding more than 5% of the Company's voting securities were:

Title of Class	Name, address of record owner and relationship with issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Common Shares Held	Percent
Common	Corbox Corporation Purok Gemelina, Tayud, Lilo-an, Cebu	Esteban C. Ku as Treasurer holds 33.33% of the record owner. Nixon Lim as President and Clement Chua are the ultimate beneficial owners	Filipino	276,321,061	19.48%

		of 33.33 % of the record owner			
Common	Golden Bales Corporation Km. 14 After Panacan Substation, Panacan, Davao City, Davao del Sur	Nixon Lim as President, and Clement Chua as Corporate Secretary are the ultimate beneficial owners of 70% of the record owner	Filipino	276,321,061	19.48%
Common	Roxburgh Investments Limited P.O. Box 957, Offshore Incorporations Center Road Town, Tortola, British Virgin Islands	Nixon Lim, Director	BVI	261,910,502	18.46%
Common	Greenkraft Corporation W. Ng Bldg., MacArthur Highway cor. Rovimar St., Brgy. Balibago, Angeles, Pampanga	Nixon Lim as President, and Clement Chua as Director are beneficial owners of 36% and 20%, respectively	Filipino	258,554,339	18.22%
Common	PCD Nominee Corporation 6th Flr. Makati Stock Exchange, 6767 Ayala Ave., Makati City	Various Participants of PCD	Filipino	155,492,606	10.96%

Security Interest of Directors and Management

As of December 31, 2024, the security interest of directors and management is as follows:

Directors

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percentage
Common	Nixon Y. Lim	1 (Direct) 457,778,182 (Indirect)	Filipino	32.26
Common	Mark O. Vergara	1 (Direct)	Filipino	nil
Common	Eliza C. Macuray	1 (Direct)	Filipino	nil
Common	Esteban C. Ku	1 (Direct) 92,097,809 (Indirect)	Filipino	6.49
Common	Rhea M. Alarcon	1 (Direct)	Filipino	nil
Common	Arnold D. San Gabriel	1,000 (Indirect)	Filipino	nil
Common	Jose Luis G. Santillan	1,000 (Indirect)	Filipino	nil

Officers

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percentage
Common	Nixon Y. Lim	1 (Direct) 457, 778,182 (Indirect)	Filipino	32.26
Common	Eliza C. Macuray	1 (Direct)	Filipino	nil

Common	Janice L. Co	0	Filipino	nil
Common	Gino Paulo O. Uy	0	Filipino	nil
Common	Maribel Severino	0	Filipino	nil

Except as disclosed above, there is no director or key officer of the Company that owns at least 10% of its issued and outstanding capital stock.

Voting Trust Holders of 5% or More

The Company is not aware of any voting trust or similar agreement where persons hold 5% or more of a class.

Change in Control

No change in control of the Company has occurred since the previous fiscal year. The Company is not aware of any existing arrangement which may result in a change in control of the Company.

Item 12. Certain Relationships and Related Transactions

Transactions with related parties in the day-to-day course of business include inter-company sale and/or transfer of inventories and equipment. Related party transactions are always at arm's-length. Please refer also to Note 17 - Related Party Transactions of the Notes to the Consolidated Financial Statements.

PART IV – CORPORATE GOVERNANCE

Item 13. Corporate Governance

(1) Evaluation System

On May 29, 2017, the Company approved its Revised Manual of Good Corporate Governance (the "Manual") based on the Code of Corporate Governance for Publicly-Listed Companies issued by the SEC. The Company constantly seeks to adhere to the principles of good corporate governance as embodied in the Manual. Internal systems are established to ensure feedback, control and accountability, that relates in particular to integrity of financial reporting and ensure compliance with applicable laws and regulations, thereby fostering Board and Management responsibility to the Company's stakeholders.

(2) Measures on leading practices of good corporate governance

The Board and Management continually seeks to enhance compliance with the Manual by undertaking measures to implement policies prescribed under the Manual. The Company acknowledges the vital importance of strong corporate governance in supporting its long-term success. It is dedicated to promoting best practices across its operations and fostering a culture of meaningful engagement with all stakeholders.

(3) Any Deviation from the Manual

There has been no known material deviation from the Manual.

(4) Improvement

The Company has implemented a policy of regularly reviewing its Manual to continuously enhance its corporate governance practices. Looking ahead, it remains committed to supporting the initiatives and efforts of regulators and advocates aimed at advancing corporate governance standards, while further reinforcing its own governance culture.

PART V - EXHIBITS AND SCHEDULES

Item 14. Exhibits and Reports on SEC Form 17-C

Exhibits

Annex	Description of Document
A	2024 Consolidated Audited Financial Statements of Steniel Manufacturing Corporation and its subsidiaries
B	2024 Separate Audited Financial Statements of Steniel Manufacturing Corporation
C	Sustainability Report

Reports on SEC Form 17-C (Current Report) filed in 2024

Date	Description of Document
February 28, 2024	- Approval of the 2022 Separate Annual Financial Statements
March 5, 2024	- Approval of the 2022 Consolidated Annual Financial Statements
March 14, 2024	- Setting the special stockholders' meeting and record date - Approval to conduct a public offering of shares of stock - Approval to change the date of the annual meetings of shareholders and amend the By-Laws
March 15, 2024	- Resignation of Mr. Randy Senense as Deputy Chief Financial Officer
April 12, 2024	- Postponement of the special stockholders' meeting earlier scheduled to be held on May 2, 2024 - Postponement of the annual stockholders' meeting for 2024
April 15, 2024	- Appointment of Valdez Abad & Company as the new external auditor to audit the financial statements of the Company for the years 2022-2023 and 2023–2024. - Issuance of the Company's Annual Financial Statement for the period ended December 31, 2023 - Appointment of Atty. Hosea LejIan L. Salazar as the Assistant Corporate Secretary effective April 15, 2024
April 18, 2024	- Approval of the 2023 Consolidated Annual Financial Statements
April 24, 2024	- Payment of fines to the PSE
May 17, 2024	- Setting the annual stockholders' meeting and record date
May 23, 2024	- Payment of fines to the SEC
July 5, 2024	- Results of the annual stockholders' meeting - Appointment of members of the Board Committees - Appointment of Corporate Officers - Appointment of Ms. Rhea M. Alarcon as Lead Independent Director
August 2, 2024	- Issuance of the quarterly financial report for the period ended June 30, 2024 - Appointment of Maribel O. Severino as Investor Relations Officer
August 22, 2024	- Payment of fines to the SEC
September 5, 2024	- Payment of fines to the SEC - Resignation of Atty. Hosea LejIan L. Salazar as Assistant Corporate Secretary

September 23, 2024	- Authority to conduct a Follow-On Offering and approval of disclosures in the Registration Statement. - Adoption of Fit and Proper Rule for the selection of directors and officers

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this Annual Report is signed on behalf of Steniel Manufacturing Corporation by the undersigned, thereunto duly authorized, in Pasig City on APR 30 2025.

Nixon Y. Lim Chairman & President	**Eliza C. Macuray** Treasurer/Chief Financial Officer

Janice L. Co
Corporate Secretary

SUBSCRIBED AND SWORN to before me this APR 30 2025 at Pasig City, affiants exhibiting to me the following:

Name	Valid Identification
Nixon Y. Lim	Philippine Passport [redacted] valid until September 23, 2031
Eliza C. Macuray	Philippine Passport [redacted] valid until September 9, 2030
Janice L. Co	Driver's License, Driver's License No. [redacted] valid until July 20, 2032

Doc. No. 054;
Page No. 12;
Book No. 11;
Series of 2025.

SOCRATES JEROME A. DE GUZMAN
Appointment No. 112 (2024-2025)
Notary Public for Pasig City and Pateros
Until December 31, 2025
Attorney's Roll No. 85318
33rd Floor, The Orient Square
F Ortigas Jr. Road, Ortigas Center, Pasig City
PTR Receipt No. 2863406; 01.02.25; Pasig City
IBP OR No. 496754; 01.03.25; RSM
MCLE Compliance VIII 0014202; 4.14.28

ANNEX A

2024 Consolidated Audited Financial Statements of Steniel Manufacturing Corporation

Your BIR AFS eSubmission uploads were received

From: eafs@bir.gov.ph
To: stenielmanufacturing@yahoo.com
Cc: elizmacuray@yahoo.com
Date: Wednesday, April 30, 2025 at 01:19 PM GMT+8

Hi STENIEL MANUFACTURING CORPORATION,

Valid files

- EAFS000099128AFSTY122024.pdf
- EAFS000099128ITRTY122024.pdf
- EAFS000099128TCRTY122024-01.pdf

Invalid file

- <None>

Transaction Code: **AFS-0-2RM1R4YT0QMZQVSMNPP2WMVST0242PSY2M**
Submission Date/Time: **Apr 30, 2025 01:19 PM**
Company TIN: **000-099-128**

Please be reminded that you accepted the terms and conditions for the use of this portal and expressly agree, warrant and certify that:

- The submitted forms, documents and attachments are complete, truthful and correct based on the personal knowledge and the same are from authentic records;
- The submission is without prejudice to the right of the BIR to require additional document, if any, for completion and verification purposes;
- The hard copies of the documents submitted through this facility shall be submitted when required by the BIR in the event of audit/investigation and/or for any other legal purpose.

This is a system-generated e-mail. Please do not reply.

STENIEL MANUFACTURING CORPORATION
Gateway Business Park, Brgy. Javalera, Gen. Trias, Cavite

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES** (the "**Group**") is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended **December 31, 2024, 2023 and 2022**, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable matters related to going concern basis of accounting unless management either intends to liquidate the Group or cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

The Board of Directors reviews and approves the consolidated financial statements including the schedules attached therein, and submits the same to the stockholders.

Valdes, Abad & Company, CPAs, the independent auditor appointed by the stockholders, has audited the consolidated financial statements of the Group in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

Nixon Y. Lim
Chairman & President

Eliza C. Macuray
Treasurer/Chief Financial Officer

Signed this 28th day of April, 2025

SUBSCRIBED AND SWORN to before me this 28 APR 2025, at PASIG CITY City, affiants exhibited to me their respective competent evidence of identification, as follows:

Name	Valid Identification
NIXON Y. LIM	Philippine Passport No. [redacted] until September 23, 2031
ELIZA C. MACURAY	Philippine Passport No. [redacted] until September 9, 2030

WITNESS MY HAND AND SEAL on the date and at the place first above written.

Doc No. 306
Page No. 69
Book No. II
Series of 2025

GERALDINE MARIE V. PAULO
Appointment No. 181 (2024-2025)
Notary Public for Pasig City and Pateros
Until December 31, 2025
Attorney's Roll No. 81565
33rd Floor, The Orient Square
F. Ortigas Jr. Road, Ortigas Center, Pasig City
PTR Receipt No. 2863412; 01.02.25; Pasig City
IBP OR No. 497003; 01.03.25; RSM
MCLE Compliance VIII 0011644; 4.14.28

C O V E R   S H E E T
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

						2	3	7	3	6

C O M P A N Y   N A M E

S T E N I E L   M A N U F A C T U R I N G

C O R P O R A T I O N   A N D   S U B S I D I A R I E S

PRINCIPAL OFFICE *(No. / Street / Barangay / City / Town / Province)*

G A T E W A Y   B U S I N E S S   P A R K

B R G Y .   J A V A L E R A ,   G E N E R A L   T R I A S ,

C A V I T E

Form Type	Department requiring the report	Secondary License Type, If Applicable
A F S		

C O M P A N Y   I N F O R M A T I O N

Company's Email Address	Company's Telephone Number	Mobile Number
N/A	8361-9061	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
3,573	Last Tuesday of April	12/31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
ELIZA C. MACURAY	**elizmacuray@yahoo.com**	8361-9061	0918-911-0919

CONTACT PERSON's ADDRESS

Gateway Business Park, Brgy Javalera, General Trias, Cavite

NOTE 1 : *In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

2 : *All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.*

Valdes Abad & Company
(Formerly: Valdes Abad & Associates)
certified public accountants

CJV Building 108 Aguirre Street, Legaspi Village, Makati City, Philippines

Branches:
Cebu and Davao

Phone: (632) 8892-5931 to 35
(632) 8519-2105
Fax: (632) 8819-1468
Website: www.vacpa.ph
BOA/PRC Reg. No. 0314
SEC Accreditation No. 014-SEC

INDEPENDENT AUDITOR'S REPORT

The Stockholders and Board of Directors
STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES
Gateway Business Park
Brgy. Javalera, General Trias, Cavite

Opinion

We have audited the consolidated financial statements of **STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES** (the Group) which comprise the consolidated statements of financial position as of December 31, 2024 and 2023, and the related consolidated statements of comprehensive income, consolidated statements of changes in equity, and consolidated statements of cash flows for each of the three years in the period ended December 31, 2024, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2024 and 2023 and of its consolidated financial performances and its consolidated cash flows for each of the three years in the period ended December 31, 2024 in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audit in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of a Matter

We draw attention to Note 25 to the consolidated financial statements which describes the restatements on the consolidated financial statements that we originally reported on April 19, 2024 have been restated, and the matter that gives rise to the restatement of the consolidated financial statements. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements as at and for the year ended December 31, 2024. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement in the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter identified in our audit and how we addressed the matter is summarized as follows:

(a) *Occurrence and Accuracy of Revenue Recognition*

The Group booked a total revenue of ₱3.27 billion for the period ended December 31, 2024 which has decreased by ₱1.30 million or 3.81% as compared to the 2023 audited amount. Currently, the Group has financial goals which might be a pressure to the Management and may increase the risk on the proper revenue recognition.

The Group accounts the revenue when the control of goods or services is transferred to the customer overtime or at a point in time. The Group's revenue recognition process and measurement thereof are determined not to be complex and involve a simple judgment and estimation.

Audit response

We assessed the compliance of the on proper Revenue Recognition through a walkthrough of internal control, and its design, and tested material transactions posted on the revenue accounts by examining the related journal entries. Further, we have performed fluctuation analysis of revenue accounts with material increase. We also examined supporting documents such as contracts, sales invoices, and shipping documents such as delivery receipts to verify the occurrence and accuracy of recorded revenue on a test basis. Lastly, we reviewed the Group's adequacy of disclosures for revenue in Note 3 Summary of Significant Accounting Policies and Note 19 Revenue of the consolidated notes to financial statements.

(b) *Existence and Impairment Assessment of Inventories*

The carrying amount of inventories amounted to ₱2.65 billion as of December 31, 2024 representing 56.39% of the Group's total assets, and has increased by 29.64% from previous year. The management assesses the impairment of inventories whenever events or changes in circumstances indicate that the asset is impaired. This matter requires the use of significant judgments and estimates and hence, is significant to our audit.

Audit response

Initially, we examined the internal control of the inventory management and observed the physical ocular inspection for the period ended December 31, 2024 yearend count. Test count of inventories, and movement analysis were performed to determine the existence of inventory balance as of yearend. Further, we reviewed management's determination of impairment indicators and management's assessment on the recoverability of inventories which includes assumptions used by the Group on the determination of allowance for inventory losses, and compliance with the PAS 2 subsequent valuation of inventory. We also reviewed the adequacy of the Group's disclosures in Note 4, Management's Use of Judgements, Estimates and Assumptions, and Note 9, Inventories of the consolidated financial statements.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; to design and perform audit procedures responsive to those risks; and to obtain audit evidence that is sufficient and appropriate to provide a basis for the auditor's opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. In circumstances when the auditor also has a responsibility to express an opinion on the effectiveness of internal control in conjunction with the audit of the financial statements, the auditor shall omit the phrase that the auditor's consideration of internal control is not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If the auditor concludes that a material uncertainty exists, the auditor is required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the opinion. The auditor's conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may be reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2024 but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2024 are expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated.

VALDES ABAD & COMPANY, CPAs
BOA/PRC Reg. No. 0314
Issued on July 15, 2024, Valid until July 14, 2027
SEC Accreditation No. 0314 - SEC, Group A
Valid for 2022 – 2026 audit periods
BIR Accreditation No. 08-002126-000-2024
Issued on April 5, 2024, Valid until April 4, 2027

For the firm:

ALFONSO L. CAY-AN
Partner
CPA Registration No. 99805, Valid until December 14, 2026
TIN No. 213-410-741-000
PTR No. 10479078, Issued Date: January 10, 2025, Makati City
BOA/PRC Reg. No. 0314
Issued on July 15, 2024, Valid until July 14, 2027
SEC Accreditation No. 99805 - SEC, Group A
Valid for 2022 – 2026 audit periods
BIR Accreditation No. 08-002126-005-2024
Issued on April 5, 2024, Valid until April 4, 2027

Makati City, Philippines
April 28, 2025

Valdes Abad & Company
(Formerly: Valdes Abad & Associates)
certified public accountants

CJV Building 108 Aguirre Street, Legaspi Village, Makati City, Philippines

Branches:
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Phone: (632) 8892-5931 to 35
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BOA/PRC Reg. No. 0314
SEC Accreditation No. 0314-SEC

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INDEPENDENT AUDITOR'S REPORT TO ACCOMPANYING FINANCIAL STATEMENTS FOR FILING WITH THE SECURITIES AND EXCHANGE COMMISSION

The Stockholders and Board of Directors
STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES
Gateway Business Park
Brgy. Javalera, General Trias, Cavite

We have examined the consolidated financial statements of **STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES** for the year ended December 31, 2024, on which we have rendered the attached report dated April 28, 2025.

In compliance with Revised SRC Rule 68, we are stating that the Group has three thousand five hundred fifty-four (3,554) stockholders owning one hundred (100) or more shares each as of December 31, 2024.

VALDES ABAD & COMPANY, CPAs
BOA/PRC Reg. No. 0314
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ALFONSO L. CAY-AN
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Makati City, Philippines
April 28, 2025

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Philippine Thousand Peso)

		December 31,	
			As restated
ASSETS	Note	**2024**	2023
CURRENT ASSETS			
Cash	7	**67,262**	113,041
Receivables – net	8	**737,367**	852,652
Inventories – net	9	**2,645,320**	2,040,582
Prepayments and other current assets – net	10	**208,140**	276,760
Total Current Assets		**3,658,089**	3,283,035
NON-CURRENT ASSETS			
Property, plant and equipment – net	12	**828,093**	775,385
Investment in equity securities	13	**180,992**	139,854
Right-of-use asset – net	25	**12,870**	19,308
Deferred tax assets	24	**9,606**	4,580
Other assets	10	**1,490**	1,738
Total Non-Current Assets		**1,033,051**	940,865
TOTAL ASSETS		**4,691,140**	4,223,900
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Trade and other payables	14	**2,009,532**	1,869,811
Loans payable – net of non-current portion	15	**1,239,780**	942,134
Due to related parties	16	**43,453**	47,883
Lease liability – net of non-current portion	26	**8,449**	9,403
Total Current Liabilities		**3,301,214**	2,869,231
NON-CURRENT LIABILITIES			
Loans payable	15	**389,368**	468,231
Lease liability	26	**6,709**	12,812
Retirement liability	24	**21,204**	13,940
Total Non-Current Liabilities		**417,281**	494,983
EQUITY			
Share capital	17	**1,418,812**	1,418,812
Additional paid-in capital	18	**408,423**	408,423
Deficit		**(869,201)**	(973,756)
Reserve for retirement liability	25	**(3,089)**	204
Unrealized gain on available for sale financial assets	13	**17,700**	6,003
Total Equity		**972,645**	859,686
TOTAL LIABILITIES AND EQUITY		**4,691,140**	4,223,900

See accompanying Notes to the Consolidated Financial Statements

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Philippine Thousand Peso, Except for Basic and Diluted Earnings Per Share)

For the Years Ended December 31,	Note	2024	*As restated* 2023	2022
REVENUE	19	**3,277,148**	3,406,867	2,205,413
COST OF SALES AND SERVICES	20	**2,736,689**	2,993,880	1,823,634
GROSS PROFIT		**540,459**	412,987	381,779
OPERATING EXPENSES	21	**380,873**	331,946	268,133
FINANCE CHARGES, NET		**93,629**	81,578	45,933
OTHER INCOME (LOSSES) – NET	22	**76,375**	126,847	(36,723)
NET INCOME BEFORE TAX		**142,332**	126,310	30,990
INCOME TAX EXPENSE	23	**42,173**	44,450	2,635
NET INCOME		**100,159**	81,860	28,355
OTHER COMPREHENSIVE INCOME (LOSS)				
Unrealized gain (loss) on financial assets at FVOCI	13	**16,093**	23,581	(4,382)
Unrealized gain (loss) on defined benefit obligation	24	**(3,293)**	-	(1,007)
TOTAL COMPREHENSIVE INCOME		**112,959**	105,441	22,966
BASIC AND DILUTED EARNINGS PER SHARE		**0.0706**	0.0577	0.0200

See accompanying Notes to the Consolidated Financial Statements

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Amounts in Philippine Thousand Peso)

		December 31,		
			As restated	
	Note	**2024**	2023	2022
SHARE CAPITAL				
Balance at Beginning and End of Year	17	**1,418,812**	1,418,812	1,418,812
ADDITIONAL PAID-IN CAPITAL				
Balance at Beginning and End of Year	18	**408,423**	408,423	408,423
DEFICIT				
Balance at beginning of year		**(973,756)**	(1,069,848)	(1,107,813)
Transfer of fair value reserve of equity instrument held at FVOCI	13	**4,396**	14,232	9,610
Net income for the year		**100,159**	81,860	28,355
Balance at end of year		**(869,201)**	(973,756)	(1,069,848)
NET UNREALIZED GAIN ON INVESTMENT IN EQUITY INSTRUMENTS	13			
Balance at beginning of year		**6,003**	(3,346)	10,646
Realized gain (loss) from fair valuation – net		**16,093**	23,581	(4,382)
Transfer of fair value reserve of equity instrument held at FVOCI		**(4,396)**	(14,232)	(9,610)
Balance at beginning and end of year		**17,700**	6,003	(3,346)
RESERVE FOR RETIREMENT BENEFITS LIABILITY	24			
Balance at beginning of year		**204**	204	1,211
Remeasurement gain (loss) – net		**(3,293)**	-	(1,007)
Balance at beginning and end of year		**(3,089)**	204	204
TOTAL EQUITY		**972,645**	859,686	754,245

See accompanying Notes to the Consolidated Financial Statements

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASHFLOWS

(Amounts in Philippine Thousand Peso)

For the Years Ended December 31,	Note	2024	*As restated* 2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before tax		**142,332**	126,310	30,990
Adjustment for:				
Dividend income	23	**(6,791)**	(5,550)	(4,759)
Interest income	23	**(56)**	(51)	(38)
Interest expense	15, 16	**96,538**	77,970	41,711
Interest on lease	26	**1,187**	3,608	4,223
Depreciation	12	**190,245**	249,378	232,198
Retirement expense	24	**2,983**	4,036	1,360
Provision (Reversal) for inventory obsolescence	9	**(23,482)**	-	3,960
Gain on disposal of invesment	13	**-**	(69,399)	-
Gain on sale of property and equipment	12	**-**	-	(4,000)
Unrealized foreign exchange (gain) loss	22	**(11,838)**	-	(65,901)
Provision for loss due to earthquake		**94**	-	-
Provision for expected credit losses	8	**29,885**	-	12,582
Operating income before changes in working capital		**421,097**	386,302	252,326
Decrease (increase) in:				
Receivables, net		**99,065**	8,619	(449,067)
Inventories, net		**(581,257)**	(152,122)	(1,249,744)
Prepayments and other current asset		**25,730**	(129,712)	(81,507)
Increase (decrease) in:				
Trade and other payables		**136,511**	(167,422)	1,465,449
Cash generated from (used for) operations		**101,146**	(54,335)	(62,543)
Dividend received	22	**6,791**	5,550	4,759
Interest received	7	**56**	51	38
Interest paid	15, 16	**(95,221)**	(77,970)	(41,711)
Benefits paid	24	**(108)**	-	(184)
Net Cash from Operating Activities		**12,664**	(126,704)	(99,641)
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of properties and equipment	12	**(232,499)**	(80,426)	(514,561)
Proceeds from properties and equipment	12	**-**	-	30,000
Additions of investments in equity securities	13	**(44,716)**	(86,605)	(26,830)
Proceeds from investments in equity securities	13	**19,671**	69,421	29,071
Decrease in other non-current assets	10	**247**	1,881	5,709
Net Cash from Investing Activities		**(257,297)**	(95,729)	(476,611)

See accompanying Notes to the Consolidated Financial Statements

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASHFLOWS – CONTINUATION

(Amounts in Philippine Thousand Peso)

For the Years Ended December 31,	Note	2024	*As restated* 2023	2022
CASH FLOWS FROM FINANCING ACTIVITIES				
Availment of loan	15	**2,042,435**	3,732,865	1,558,111
Payment of loan	15	**(1,824,969)**	(3,360,858)	(916,000)
Payment of finance lease liability	26	**(12,995)**	(70,797)	(69,878)
Interest paid on leases	26	**(1,187)**	(3,608)	(4,223)
Decrease in amounts owed to related parties	16	**(4,430)**	(11,737)	(8,002)
Net Cash from Financing Activities		**198,854**	285,865	560,008
NET INCREASE (DECREASE) IN CASH		**(45,779)**	63,432	(16,244)
CASH, BEGINNING	7	**113,041**	49,609	65,853
CASH, END	7	**67,262**	113,041	49,609

See accompanying Notes to the Consolidated Financial Statements

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2024, 2023 and 2022
(Amounts in Philippine Thousand Peso, Unless Otherwise Indicated)

NOTE 1 – GENERAL INFORMATION

Steniel Manufacturing Corporation (STN or the "Parent Company") was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on September 13, 1963. The Parent Company and its subsidiaries (the "Group)" are engaged in the manufacturing, processing, and selling of all kinds of paper products, paper board and corrugated carton containers, and all other allied products and processes. The Parent Company is listed in the Philippine Stock Exchange Inc. (PSE).

On September 11, 2013, the SEC approved the Amended Articles of Incorporation of the Parent Company, extending the corporate life for another 50 years from September 13, 2013. With the passage of the Revised Corporation Code of the Philippines ("RCC"), the Company now has perpetual existence.

Following a decision made by the Company's Board of Directors (BOD) in 1996 to reorganize the Group, the Parent Company ceased manufacturing operations in June 1997 due to continuing business losses. As a result, reorganization of the Group was carried out and completed with the Parent Company's principal activity now limited to holding of investments.

Prior to 2006, Steniel (Netherlands) Holdings B.V. ("SNHBV"), a company incorporated in Amsterdam, The Netherlands, owned 82.2716% of the shares of the Company. SNHBV was then 100%-owned by Steniel (Belgium) Holdings NV ("Steniel Belgium"). In 2006, Steniel Belgium sold its shares in SNHBV to certain directors and officers of the Company. With the sale of shares, SNHBV became the ultimate parent company.

Consequent to the restructuring of the loan in 2010, remaining unissued capital stock of the Parent Company totaling 123, 817,953 shares were issued to Roxburgh Investment Limited (Roxburgh) to reduce the Parent Company's outstanding debts (Notes 15 and 16). The issuance of shares resulted to recognition of additional paid in capital. As a result, Roxburgh owns 12.3818% of the Parent Company, while the ownership of SNHBV as well as the public have been reduced to 72.0849% and 15.5333%, respectively.

On January 18, 2012, the shareholders of SNHBV entered into a Share Purchase Agreement with Right Total Investments Limited (Right Total, a limited liability company incorporated in British Virgin Islands as an investment company), to purchase up to 100% of the issued and outstanding shares of SNHBV. With the sale of shares of SNHBV, Right Total became the owner of the 72.0849% shares of SNHBV consequently making Right Total as the ultimate parent company.

On January 25, 2012, the Parent Company received a tender offer report from SNHBV offering to purchase the 279,151,088 shares of minority investing public or 27.92% of the total issued shares at a price of ₱0.0012 per share or an aggregate price of ₱334.9 million. On February 25, 2012, only a total of 2,115,692 common shares were tendered in the Tender Offer and accepted by SNHBV, constituting 0.0021% of the total outstanding capital stock of the Parent Company. On March 8, 2012, payment for the Tendered Shares was delivered to the relevant broker participants on behalf of interested parties and there was a transfer to SNHBV of only 0.76% of the minority shares. Such accepted tender offer did not significantly change the percentage ownership of the minority investing public.

On June 26, 2019, the Company approved the reacquisition of Steniel Mindanao Packaging Corporation ("SMPC"), as described below, through a share swap transaction involving the transfer of 100% of the outstanding capital stock of SMPC in favor of the Company in exchange for STN shares. The Company also approved the conversion of the loans extended by Greenkraft Corporation ("Greenkraft") and Roxburgh into equity. These approvals were made in view of the need to address the negative capital of the Company.

As part of the preparations for these share issuances, the Board approved the increase of the Company's authorized capital stock from Php1 Billion to Php2 Billion. The same was approved and ratified by the stockholders during the annual stockholders' meeting held on July 17, 2019 and reconfirmed on November 19, 2020.

On October 7, 2020, Greenkraft Corporation (Greenkraft), Golden Bales Corporation (Goldenbales), Corbox Corporation (Corbox), Rex Chua and Clement Chua, as purchasers (collectively, the Buyers) entered into a Share Purchase Agreement with SNHBV as seller to acquire 649,908,308 common shares of the Parent Company, for a consideration of P64.99 million or P0.10 per share, broken down as follows:

Buyer	Number of shares	Percentage of Ownership
Greenkraft Corporation	216,679,430	21.67%
Corbox Corporation	194,972,492	19.50%
Goldenbales Corporation	194,972,492	19.50%
Clement Chua	21,641,947	2.16%
Rex Chua	21,641,947	2.16%
	649,908,308	64.99%

In compliance with the Securities and Regulations Code and its Implementing Rules and Regulations, the Buyer Group made a tender offer involving the remaining outstanding shares of the Company, excluding the 70,940,604 common shares of SNHBV not included in the Share Purchase Agreement. The tender offer commenced on October 12, 2020 and ended on November 10, 2020 (Tender Offer Period). A total of 11,780,533 common shares of STN were tendered during the Tender Offer Period, which comprise approximately 1.18% of the total issued and outstanding shares of STN.

Following the completion of the tender offer, SNHBV and the Buyer Group executed the deed of sale on November 23, 2020 involving the 649,908,308 shares of the Company. The relevant taxes were paid and the corresponding CAR was secured. As of the date hereof, the transfer of the 649,908,308 common shares in favor of the Buyer Group has been recorded in the books of STN. The transfer effectively reduced the shareholding of SNHBV to 5% of the Company's outstanding capital stock.

On December 29, 2020, the SEC approved STN's application for increase of authorized capital stock from Php1 Billion to Php2 Billion resulting to the issuance of 418,821,081 common shares in favor of the Buyer Group, Greenkraft and Roxburgh. The increase was (i) partly subscribed by the share swap transaction wherein STN reacquired SMPC in exchange for unissued shares of the STN; and (ii) partly subscribed through conversion of liability into equity.

As at December 31, 2024 and December 31, 2023, SNHBV owns 5% interest in STN.

The Parent Company's registered address and principal office is located at Gateway Business Park, Brgy. Javalera, General Trias, Cavite, Philippines.

Structure

The consolidated financial statements include the consolidated financial statements of the Parent Company and the following subsidiaries incorporated in the Philippines.

	Percentage of Ownership	
	2024	2023
Steniel Cavite Packaging Corporation (SCPC)*	100%	100%
Steniel Mindanao Packaging Corporation (SMPC)**	100%	100%

** Treasure Packaging Corporation (TPC) was merged with SCPC as approved by the SEC on May 30, 2018.*
*** SMPC was reacquired on December 29, 2020*

Steniel Cavite Packaging Corporation (SCPC)

SCPC was incorporated and registered with the SEC on November 9, 1993 primarily to engage in the manufacturing, processing and selling of all kinds of paper products and processes.

On June 30, 2006, SCPC's BOD decided to discontinue its packaging operations in view of the continued business losses incurred since its incorporation, in addition to difficult economic and business conditions. SCPC used to purchase, process and resell various paper products and lease its machinery and equipment to generate income, until 2015 when the former was discontinued. On January 10, 2017, the SEC approved the equity restructuring of SCPC which has wiped out the deficit as at December 31, 2016.

TPC was incorporated and registered with the SEC on May 23, 1994 primarily to engage in the manufacturing, processing, purchasing, and selling on wholesale basis, paper, paper rolls, paper boards, cartons, containers, packaging material and other pulp and paper products. The registered office address and principal office of TPC is located at Hernan Cortes Street, Mandaue City, Cebu, Philippines.

On June 15, 2026 and July 8, 2016, SCPC's BOD and Shareholders, respectively, approved the change in its address and principal office at Gateway Business Park, Brgy. Javalera, General Trias, Cavite.

In 2016, the merger between SCPC and TPC (the former as the surviving entity) was approved by the BOD and Shareholders of the respective entities. The application for merger was filed with the SEC on April 10, 2017 and was approved on May 30, 2018.

Steniel Mindanao Packaging Corporation (SMPC)

SMPC was incorporated on June 30, 1995 primarily to engage in the business of manufacturing, importing, buying, selling or otherwise dealings in, at wholesale and retail, all kinds of paper, paper rolls, paper boards, cartons, containers, packaging materials and other pulp and paper products.

As at December 31, 2012, SMPC was a wholly-owned subsidiary of the Parent Company. In December 2013, the Parent Company sold its 9,249,995 common shares in SMPC to various entities and individuals.

In 2019, the BOD and Stockholders of the Parent Company approved the reacquisition of shares of SMPC through a share swap transaction wherein all shareholders of SMPC will exchange all their shares in SMPC for shares of the Parent Company. In preparation for these share issuances, the Parent Company's BOD approved the increase of the Company's authorized capital stock from Php1 Billion to Php2 Billion. The same was approved and ratified by the stockholders during the annual stockholders' meeting held on July 17, 2019 and reconfirmed on November 19, 2020.

On December 29, 2020, the Parent Company issued 269,250,000 shares to the shareholders of SMPC effecting the share swap following the SEC approval of the Company's increase in authorized capital stock on the same day. The transfer of the SMPC shares in favor of the Company was subsequently recorded after the relevant CARs were issued by the Philippine Bureau of Internal Revenue ("BIR").

As at December 31, 2024, and December 31, 2023, SMPC is a wholly owned subsidiary of the Parent Company.

The principal place of business of SMPC is located at Km. 25 National Highway, Bunawan District, Davao City.

Debt Restructuring

Due to the working capital drain experienced by the Group as a result of prior debt service payments and the difficult business and economic conditions during the period, the Group found it difficult to sustain further payments of debt while at the same time ensuring continued operations. The Parent Company failed to settle its outstanding short-term and long-term loans which were supposed to mature at various dates in 2004, 2005, and 2006 and was declared by the lending banks in default on May 25, 2006. Subsequently until 2009, the lending banks assigned and sold their respective outstanding loan balances to various third parties. On October 14, 2010, one of the new lenders, Greenkraft Corporation (Greenkraft), further assigned some of its loan receivables to Roxburgh.

After the assignment and sale of loans from the lending banks to third parties, discussions were made with new creditors/lenders to restructure the outstanding loans covered by the Omnibus Agreement which the Parent Company has defaulted in 2006. On October 15, 2010, the Parent Company and the creditors/lenders signed the Amended and Restated Omnibus Agreement (the "Amended Agreement"), which finally resolved the default situation. The essential elements of the Amended Agreement are summarized below:

- The outstanding principal and accrued interest expense as at September 30, 2010 was restructured for 25 years.
- Conditional waiver of penalty and other charges upon the faithful performance by the Parent Company of the terms of restructuring.

- The outstanding principal and accrued interest expense as at September 30, 2010 shall be reduced via dacion en pago or sale of the following properties: (a) all of the outstanding common and preferred shares of stock in Steniel Land Corporation (SLC); (b) identified idle assets of STN and its subsidiaries; and (c) by way of conversion into equity through the issuance of Parent Company's unissued capital stock.
- The outstanding principal amount after the dacion en pago or sale of properties shall be paid in 92 consecutive quarterly installments starting in January 2013.
- The outstanding portion of the accrued interest after equity conversion shall be paid in 40 consecutive quarterly installments starting after year 15 from the date of restructuring.
- Restructured outstanding principal will be subject to interest of 6% per annum for 15 years and 8% per annum on the 16th year onwards.
- The restructured accrued interest expense prior to loan restructuring will be subject to interest of 8% per annum.
- The restructured loan shall be secured by the assets/collateral pool under the Collateral Trust Agreement.
- All taxes and fees, including documentary stamp taxes and registration fees, shall be for the account of the Group.
- All other costs and expenses of restructuring including documentation costs, legal fees and out-of-pocket expenses shall be for the account of the Parent Company; and
- Other conditions include:
    a. Lenders' representative to be elected as director in STN and in each of its subsidiaries.
    b. A merger, reorganization or dissolution of certain subsidiaries in line with the Business Plan.
    c. No dividend declaration or payments until the restructured obligations are fully paid.
    d. No new borrowing, unless with written consent of the lenders.
    e. No repayment of prepayment of any debt or obligation (other than operational expenses), unless with consent of the lenders.
    f. Creditor's consent for change in material ownership in the Group and mortgagors.
    g. Standard covenants, representations and warranties.

Dacion en pago and Equity Conversion

The dacion en pago of the Group's idle machineries, spare parts, and the equity conversion through the issuance of the Parent Company's capital stock have been completed as at December 31, 2010. The dacion en pago transaction reduced the outstanding loan principal amount by ₱122 million while the equity conversion reduced outstanding accrued interest by P248 million.

The dacion en pago relating to the Group's shares in SLC and a subsidiary's land and land improvements and building and building improvements has a total value of ₱290.0 million. In 2012, certain certificates authorizing registration were issued and reduced the total value from ₱290.00 million to ₱289.88 million.

In July 2019, the BOD and Stockholders of the Parent Company approved the conversion of debt into common shares of the Parent Company. Consequently, principal payments on long-term debt was suspended beginning July 2019. On December 29, 2020, the Parent Company issued shares to the lenders effecting the debt-to-equity conversion following the SEC approval of the Parent Company's increase in authorized capital stock on the same day (Notes 15 and 18). The outstanding balance of the borrowings were reduced by ₱149.56 million as a result of the debt-to-equity conversion.

In September 2023, the dacion en pago was completed relating to the Group's shares in SLC. The Group assigned its shares in SLC to Greenkraft as payment to its remaining balance of borrowings to Greenkraft amounting to ₱190,000. As of September 30, 2023, the Group has fully-settled its borrowings to Greenkraft.

Restructuring of Subsidiaries

In 2011, following the provisions in the Amended Agreement, the Parent Company filed a merger application with the SEC to absorb TPC. On August 12, 2013, following management's assessment, the Board of STN and TPC approved the withdrawal of the merger application filed with SEC as the same no longer appears feasible. Management has been instructed to explore other options, i.e., merger of or with other subsidiaries.

In addition, SCPC submitted a merger application with SEC in October 2011 to absorb three (3) dormant subsidiaries: (a) Metroplas Packaging Products Corporation (MPPC), (b) Metro Paper and Packaging Products, Inc. (MPPPI) and (c) Steniel Carton System Corporation (SCSC) using June 30, 2011 financial statements. On

March 2, 2012, the SEC approved the certificate of filing of the articles and plan of merger, which documents were received by SCPC on July 31, 2012. All financial information presented for the periods prior to the merger has been restated to reflect the combined financial statements of the absorbed corporation as though the merger had occurred at the beginning of 2010.

The Parent Company also has a 39.71% direct and indirect (through SCPC & TPC) interest in SLC. In 2010, all of the ownership interest of TPC and STN was assigned to Greenkraft, and the remaining interest of SCPC in SLC is 29.21% as of December 31, 2022. As at December 31, 2022, Greenkraft holds 70.77% interest in SLC while the remaining interest of SCPC is 29.21%.

In September 2023, the dacion en pago was completed relating to the Group's shares in SLC. The Group assigned its 727,050 preferred shares in SLC to Greenkraft to fully settle its remaining balance of borrowings to Greenkraft amounting to ₱190 million.

Interest Payments

On December 2, 2011, the current creditors/lenders agreed to waive the payment of interest for the first two (2) years of the loan commencing on the restructuring date, to correspond to the principal repayment as stated in the Amended Agreement. Hence, interest payments shall be made in accordance with the Amended Agreement but shall commence on the 27th month after the restructuring date, inclusive of a two (2) year grace period. In relation to this, on March 1, 2012, the accrued interest which was capitalized as part of the loan principal in 2010 in accordance with the Amended Agreement, was also condoned by its major creditors effective December 31, 2011.

In 2013, due to continuous working capital drain experienced by the Group as a result of difficult economic and business conditions, the Group requested reconsideration to defer the implementation of the loan agreement from the creditors which was acted favorably. The Group was granted another two (2) years extension of principal repayment, reduction of interest rate from 6% to 2% for the first five (5) years and further waive interest charges annually until 2019. Consequent to the BOD approval of the conversion of debt to common shares of the Parent Company in 2019, principal and interest payments on long-term debt was suspended beginning July 2019.

Status of Operations

The Group has temporarily ceased its principal operations and has incurred recurring losses in prior years resulting to a deficit of ₱884 million and ₱942 million as at December 31, 2024 and 2023, respectively.

To improve this condition, the management has taken the following measures:

On July 17, 2019, the BOD and Stockholders of the Parent Company approved the acquisition of shares of SMPC through a share swap transaction and the conversion of loans from Greenkraft Corporation and Roxburgh Investments Limited into common shares in the Parent Company. To accommodate the transactions discussed above, the BOD and Stockholders approved the amendment of the Articles of Incorporation to increase the authorized capital stock from ₱1 billion, divided into one billion common shares to ₱2 billion, divided into two billion common shares with par value of ₱1 per share (Notes 15 and 18).

On December 29, 2020, upon the SEC's approval of the Parent Company's increase in authorized capital stock, the Parent Company issued shares to the lenders effecting the debt-to-equity conversion thereby reducing the outstanding balance of the borrowings by ₱149.56 million. Further, The Parent Company also issued shares to the shareholders of SMPC effecting the share swap transaction resulting to a gain of ₱267.459 million from the acquisition of a subsidiary (Note 5). The realization of these transactions resolved the capital deficiency position of the Group.

Based on the foregoing, the consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will continue in existence.

NOTE 2 - BASIS OF PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

2.1 Statement of compliance

The accompanying audited consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS are based on International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). PFRS, issued by the Philippine Financial Reporting Standards Council (FRSC), consist of PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations.

The accompanying consolidated financial statements of the Group as at December 31, 2024 and 2023, and for each of the three years in the period ended December 31, 2024 were approved and authorized for issuance by the Board of Directors on April 28, 2025.

2.2 Basis of measurement

The consolidated financial statements of the Group have been prepared on a historical cost basis except for investment in equity securities which are carried at fair value and retirement benefits liability – net which is measured at present value of defined benefits obligation less fair value of plan assets.

2.3 Going concern assumption

The preparation of the accompanying condensed consolidated financial statements of the Group is based on the premise that the Group operates on a going concern basis, which contemplate the realization of assets and settlement of liabilities in the normal course of business. The management does not intend to liquidate.

2.4 Functional and presentation currency

The consolidated financial statements are presented in Philippine peso (₱), which is the functional currency of the Group. All financial information expressed in Philippine peso is rounded off to the nearest thousand peso, except when otherwise indicated.

2.5 Basis of consolidation

The consolidated financial statements include the financial statements of the Parent Company and its subsidiaries.

Subsidiaries are entities controlled by the Group. In accordance with PFRS 10, *Consolidated Financial Statements*, the Group controls an entity when it is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of the subsidiaries are included in the consolidated financial statements from the date when the Group obtains control and continue to be consolidated until the date when such control ceases.

The consolidated financial statements are prepared for the same reporting period as the Parent Company, using uniform accounting policies for like transactions and other events in similar circumstances. Intergroup balances and transactions, including intergroup unrealized profits and losses, are eliminated in preparing the consolidated financial statements.

2.6 Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and financial liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss. Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration, which is deemed to be an asset or liability, will be recognized in accordance with PFRS 9. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of PFRS 9, is measured at fair value with changes in fair value recognized either in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of PFRS 39, it is measured in accordance with the appropriate PFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed.

If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGU) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Transactions with non-controlling interests

The Group's transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners of the Group in their capacity as owners. The difference between the fair value of any consideration paid and the relevant share acquired of the carrying value of the net assets of the subsidiary is recognized in equity. Disposals of equity investments to non-controlling interests results in gains and losses for the Group that are also recognized in equity.

Loss of control and disposal of subsidiaries

When the Group ceases to have control over a subsidiary, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Parent Company loses control over the subsidiary, it:

- derecognizes the assets, including goodwill, and liabilities of the subsidiary
- derecognizes the carrying amount of any non-controlling interest
- derecognizes the cumulative transaction differences recorded in equity
- recognizes the fair value of the consideration received
- recognizes the fair value of the any investment retained
- recognizes any surplus or deficit in profit or loss
- reclassifies the parent's share of components previously recognized in OCI to profit or loss retained earnings, as appropriate.

2.7 Use of judgment and estimates

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported in the Group's financial statements and accompanying notes.

Judgments are made by management in the development, selection and disclosure of the Group's significant accounting policies and estimates and the application of these policies and estimates.

The estimates and assumptions are reviewed on an on-going basis. These are based on management's evaluation of relevant facts and circumstances as of the reporting date. Actual results could differ from such estimates.

Revision to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The areas where significant judgments and estimates have been made in preparing the consolidated financial statements and their effects are disclosed in Note 4.

2.8 Adoption of new and revised accounting standards

The Group's accounting policies are consistent with those of the previous financial year, except for the adoption of the following new accounting pronouncements:

New and Amended Accounting Standards Effective in 2024

Effective beginning on or after January 1, 2024

Amendment to PFRS 16 – Leases on sale and leaseback. These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.

Amendment to PAS 1 – Non-current liabilities with covenants. These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.

Amendment to PAS 7 and PFRS 7 - Supplier finance. These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.

The amendments do not have material impact on the consolidated financial statements.

Standards and Interpretations 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 the financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2025

Amendments to PAS 21 - Lack of Exchangeability. An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations.

Effective beginning on or after January 1, 2026

- Amendments to PFRS 9 and PFRS 7, *Classification and Measurement of Financial Instruments*
- Annual Improvements to PFRS Accounting Standards - Volume 11
    - Amendments to PAS 7, *Cost Method*
    - Amendments to PFRS 1, *Hedge Accounting by a First-time Adopter*
    - Amendments to PFRS 7, *Gain or Loss on Derecognition*
    - Amendments to PFRS 9, *Lessee Derecognition of Lease Liabilities and Transaction Price*
    - Amendments to PFRS 10, *Determination of a "De Facto Agent"*

The Group is currently assessing the impact of adopting these standards on its consolidated financial statements.

Effective beginning on or after January 1, 2027

PFRS 18, Presentation and Disclosure in Financial Statements

The new standard impacts the classification of profit or loss items (i.e. into operating, investing, and financing categories) and the presentation of subtotals in the statement of profit or loss (i.e. operating profit, and profit before financing and income taxes). The new standard also changes the aggregation and disaggregation of information presented in the primary financial statements and in the notes. It also introduces required disclosures about management-defined performance measures.

PFRS 19, Subsidiaries without Public Accountability: Disclosures

The Group is currently assessing the impact of adopting this standard on its consolidated financial statements.

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

On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2026 of the said amendments until the IASB completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

The revised, amended, and additional disclosures or accounting changes provided by the standards and interpretations will be included in the financial statements in the year of adoption, if applicable.

The standard is not expected to have significant impact on the Group's financial reporting.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these consolidated financial statements are summarized below. The policies have been consistently applied to all years presented unless otherwise stated.

3.1 Financial assets and financial liabilities

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial Assets

Initial Recognition and Measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under PFRS 15.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are "solely payments of principal and interest ("SPPI")" on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Business Model and SPPJ Test

The business model refers to how the Group manages the financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. The Group considers the following information in assessing the objective of the business model in which financial asset is held at a portfolio level, which reflects the way the business is managed and information is provided to management:

- The stated policies and objectives for the portfolio and the operation of those policies in practice;
- How the performance of the portfolio is evaluated and reported to the Group's management;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- How employees of the business are compensated; and
- The frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

The Group considers the contractual terms of the instrument in assessing whether the contractual cash flows are solely payments of principal and interest. For purposes of this assessment, "Principal" is defined as the fair value of the financial asset on initial recognition. "Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin. The assessment includes whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. The Group considers the following in making the assessment:

- Contingent events that would change the amount or timing of cash flows;
- Terms that may adjust the contractual coupon rate, including variable rate features;
- Prepayment and extension features; and
- Terms that limit the Group's claim to cash flows from specified assets.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date i.e. the date that the Group commits to purchase or sell the asset.

Subsequent Measurement

For purposes of subsequent measurement, financial assets are classified in to 4 categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVPL

Financial Assets at Amortized Cost (Debt Instruments)

The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest rate method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

Financial Assets at FVOCI (Debt Instruments)

The Group measures debt instruments at FVOCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in other comprehensive income (OCI). Upon de-recognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

Financial Assets at FVOCI (Equity Instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under PAS 32, Financial Instruments: Presentation and Disclosure, are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVOCI are not subject to impairment assessment.

Financial Assets at FVPL

Financial assets at FVPL include financial assets held for trading, financial assets designated upon initial recognition at FVPL or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified as amortized cost or at FVOCI, as described above, debt instruments may be designated as FVPC on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVPL are carried in the consolidated statements of financial position at fair value with net changes in fair value recognized in profit or loss.

<u>Derecognition</u>

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily de-recognized (i.e. removed from the Group's consolidated statements of financial position) when:

- The rights to receive cash flows from the asset has expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement and either (a) the Group has transferred substantially all the risks and rewards of the asset or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to pay.

For a modification that does not result in derecognition, the difference between the present value of the modified cash flows discounted using the original effective interest rate and the present value of the original cash flows, is recognized in profit or loss as a gain or loss from modification. Costs or fees in relation to the modification of the financial asset are recognized as part of the carrying amount of the asset and amortized over the remaining term of the instrument. A modification of the original financial asset that results in the derecognition of the financial asset, requires the recognition of a new financial asset in line with the general requirements for the initial recognition (i.e. at fair value plus transaction costs).

Impairment of Financial Assets

The Group recognizes an allowance for Expected Credit Losses (ECLs) for all financial assets not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or credit enhancements that are integral to the contractual terms.

ECLs are recognized under either a simplified or general approach, dependent on the nature of the related financial asset.

Under the general approach, ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

Under the simplified approach, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward looking factors specific to the debtors and the economic environment.

For financial instruments with low credit risk such as cash in banks, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the financial instrument or the counterparty. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 180 days past due.

The Group considers a financial asset in default when contractual payments are 365 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

The Group analyzes the creditworthiness of each customer before the payment and delivery terms and conditions are offered. Sales are made to customers with satisfactory credit history. The Group has credit criteria and observes several layers of credit approval before engaging a particular customer or counterparty. The review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer and are reviewed on a regular basis.

The Group ensures timely recognition of expected credit losses in accordance with the PFRS 9 wherein regular provisioning was being attested for sufficiency based on the existing data and analysis that aligns with the Group’s historical loss experience and forward-looking assessments.

A financial asset is written-off when there is no reasonable expectation of recovering the contractual cash flows.

Financial Liabilities

Initial Recognition and Measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, loans and borrowings, payables or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are initially recognized at fair value and, in the case of loans and borrowings and payables, net of directly attributable costs.

Subsequent Measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial Liabilities at FVPL
Financial liabilities at FVPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVPL. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered in to by the Group that are not designated as hedging instruments in hedge relationships as defined by PFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognized in the profit or loss.

Financial liabilities designated upon initial recognition at FVPL are designated at the initial date of recognition, and only if the criteria in PFRS 9 are satisfied. The Group has not designated any financial liabilities at FVPL.

Loans Payable
After initial recognition, interest-bearing loans payable are subsequently measured at amortized cost using the Effective Interest Rate (EIR) method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking in to account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in profit or loss.

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and liabilities simultaneously.

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: Inputs for the asset or liability that are not based on observable market data.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

As at December 31, 2024 and 2023, no financial asset was recognized at fair value. The Group has no other assets or liabilities with recurring and non-recurring fair value measurements.

Business Combination

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling _ interests in the acquiree at fair value or at proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included as part of "Operating expenses" account in the consolidated statements of comprehensive income.

When the Group acquires a business, it assesses the financial assets and financial liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured at the acquisition date fair value and any resulting gain or loss is recognized in the consolidated statements of comprehensive income.

The Group measures goodwill at the acquisition date as: a) the fair value of the consideration transferred; plus b) the recognized amount of any non-controlling interests in the acquiree; plus c) if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less d) the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed. When the excess is negative, a bargain purchase gain is recognized immediately in the consolidated statements of comprehensive income. Subsequently, goodwill is measured at cost less any accumulated impairment in value. Goodwill is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying amount may be impaired.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in the consolidated statements of comprehensive income. Costs related to the acquisition, other than those associated with the issuance of debt or equity securities that the Group incurs in connection with a business combination, are expensed as incurred. Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognized in profit or loss.

Goodwill in a Business Combination

Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units, or groups of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities are assigned to those units or groups of units. Each unit or group of units to which the goodwill is allocated:

- Represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- Is not larger than an operating segment determined in accordance with PFRS 8, Operating Segments.

Impairment is determined by assessing the recoverable amount of the cash generating unit or group of cash-generating units, to which the goodwill relates. Where the recoverable amount of the cash-generating unit or group of cash generating units is less than the carrying amount, an impairment loss is recognized. Where goodwill forms part of a cash-generating unit or group of cash-generating units and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash generating unit retained. An impairment loss with respect to goodwill is not reversed.

3.2 Current versus non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/noncurrent classification.

An asset is current when:

- It is expected to be realized or intended to be sold or consumed in normal operating cycle
- It is held primarily for the purpose of trading
- It is expected to be realized within twelve months after the reporting period, or
- Cash on hand and in banks unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as noncurrent.

3.3 Foreign currency transactions and translation

Transactions in foreign currencies are initially recorded by the Group at the respective functional currency rates prevailing at the date of the transaction.

Monetary assets and monetary liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

All differences are taken to the statements of comprehensive income with the exception of all monetary items that provide an effective hedge for a net investment in a foreign operation. These are recognized in OCI until the disposal of the net investment, at which time they are recognized in profit or loss. Tax charges and credits applicable to exchange differences on these monetary items are also recorded in the OCI.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the par value is determined.

3.4 Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's Executive Committee (ExeCom), its chief operating decision-maker. The ExeCom is responsible for allocating resources and assessing performance of the operating segments.

In identifying its operating segments, management generally follows the Group's main service lines as disclosed in Note 7, which represent the main services provided by the Group.

Each of these operating segments is managed separately as each of these service lines require different resources as well as marketing approaches. All intersegment transfers are carried out at arm's length prices.

The measurement policies the Group uses for segment reporting under PFRS 8, Operating Segments, are the same as those used in its consolidated financial statements.

There have been no significant changes from prior periods in the measurement methods used to determine reported segment profit or loss.

3.5 Cash

Cash consists of cash on hand and in banks. Cash in banks earns interest at respective bank deposit rates. For the purpose of reporting cash flows, cash in banks is unrestricted and available for use in current operations.

3.6 Receivables

Receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest rate method less any allowance for impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are integral part of the effective interest rate and transaction costs. Gains and losses are recognized in the statements of comprehensive income when the receivables are derecognized or impaired, as well as through the amortized process.

3.7 Inventories

Inventories are assets held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are stated at the lower of cost and net realizable value (NRV). Cost is calculated using the weighted average method. NRV represents the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

When the NRV of the inventories is lower than the cost, the Group provides for an allowance for the decline in the value of the inventory and recognizes the write-down as an expense in profit or loss. The amount of any reversal of any write-down of inventories, arising from an increase in net realizable value, is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

When inventories are used and sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized.

3.8 Assets held for sale

Assets are classified as assets held-for-sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered primarily through a sale transaction rather than continuing use. When the sale is expected to occur beyond one year, the entity shall measure the costs to sell at their present value. Any increase in the present value of the cost to sell that arises from the passage of time shall be presented as part of the operating expenses in profit or loss.

An impairment loss is recognized for any initial or subsequent write-down of the asset to fair value less costs to sell. The Group recognizes a gain for any subsequent increase in fair value less costs to sell of an asset, not in excess of the cumulative impairment loss that has been recognized.

Once classified as held-for-sale, property and equipment are no longer amortized or depreciated and any equity-accounted investee is no longer equity accounted.

When changes to the plan of sale are made and the Group ceases to classify the asset as held-for-sale, the Group remeasures the asset at the lower of its carrying amount before the asset was classified as held-for-sale, adjusted for any depreciation, amortization or revaluation that would have been recognized had the asset not been classified as held-for-sale, and its recoverable amount at the date of the subsequent decision not to sell. Gain or loss recognized on measurement of a non-current asset classified as held-for-sale is presented under the operating income (expense) in the consolidated statements of comprehensive income.

An item of asset held-for-sale is derecognized when either it has been disposed of or when it is permanently withdrawn from use and no future economic benefits are expected from its use or disposal. Any gain or loss arising on the retirement and disposal of an item of asset held-for-sale (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period of retirement or disposal.

3.9 Prepayments and other current assets

This account comprises of prepayments, prepaid taxes and input taxes. Prepayments are expenses paid in advance and recorded as assets before they are utilized. Prepayments that are expected to be realized for no more than 12 months after the reporting period are classified as current assets; otherwise, these are classified as other noncurrent asset.

Prepaid taxes pertain to the amount withheld by suppliers which can be applied against income tax due. It is carried at face value less allowance for unrecoverable tax credits. The Group maintains an allowance for the amount which can no longer be claimed or applied against income tax due.

3.10 Property and equipment

Property and equipment, except land, are recorded at cost less accumulated depreciation, and impairment losses, if any. The initial cost of property and equipment consists of its purchase, including import duties taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Land is stated at cost less any impairment in value.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance costs are charged to profit or loss during the period in which these are incurred.

Major renovations are depreciated over the remaining useful life of the related asset or to the date of the next major renovation, whichever is sooner.

Construction in progress represents structures under construction and is stated at cost. This includes cost of construction and other direct costs. Borrowing costs that are directly attributable to the construction of qualifying property and equipment are capitalized during the construction period. Construction in progress is not depreciated until such time that the relevant assets are ready for use.

Depreciation and amortization, which commences when the assets are available for its intended use, are calculated using the straight-line method over its estimated useful life as follows:

	Number of years
Building and improvements	5 to 7 years
Machinery and equipment	3 to 10 years
Transportation equipment	3 to 5 years
Furniture, fixtures and equipment	3 to 5 years
Leasehold improvement	2 to 10 years or lease term whichever is shorter

The asset's residual values, estimated useful lives and depreciation method are reviewed periodically, and adjusted if appropriate, at each reporting date to ensure that method and period of depreciation and are consistent with the expected pattern of economic benefits from items of property and equipment.

The carrying amounts of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable.

Fully depreciated assets are retained in the accounts until they are no longer in use.

An item of property, and equipment is derecognized when either it has been disposed of or when it is permanently withdrawn from use and no future economic benefits are expected from its use or disposal. Any gain or loss arising from the retirement and disposal of an item of property, and equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in the consolidated statements of comprehensive income in the period of retirement and disposal.

3.11 Other assets

Other assets pertain to other resources controlled by the Group as a result of past events. They are recognized in the financial statements when it is probable that the future economic benefits will flow to the Group and the asset has a cost or value that can be measured reliably.

Other assets are classified in the statements of financial position as current assets when the cost of goods or services related to the assets are expected to be incurred within one year or the Group's normal operating cycle, whichever is longer.

Other recognized assets of similar nature, where future economic benefits are expected to flow to the Group beyond one year after the end of the reporting period (or in the normal operating cycle of the business, if longer), are classified as noncurrent assets.

3.12 Impairments of non-financial assets

General

The carrying amounts of prepaid expenses and other current assets, asset held-for- sale, right-of-use asset and property and equipment, are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists, and if the carrying amount exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. After such reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

3.13 Employee benefits

Short-term Employee Benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Retirement Benefits

The Group is covered by a noncontributory defined benefits retirement plan. The net retirement benefits liability or asset is the aggregate of the present value of the defined benefits obligation at the end of the reporting period reduced by the fair value of plan assets.

Retirement benefits costs comprise the following:

Service cost
Service costs which include current service costs, past service costs and gains or losses on non-routine settlement are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs.

Net interest on the net defined benefits liability or asset
Net interest on the net defined benefits liability or asset is the change during the period in the net defined benefits liability or asset that arises from the passage of time which is determined by applying the discount rate based on the government bonds to the net defined benefits liability or asset. Net interest on the net defined benefits liability or asset is recognized as expense or income in profit or loss.

Remeasurements of net defined benefits liability or asset

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefits liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods. These are retained in OCI until full settlement of the obligation.

When the benefits of a plan are changed, or when a plan is curtailed, the resulting change in benefits that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefits retirement plan when the settlement occurs.

3.14 Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any noncash assets transferred or liabilities assumed, is recognized in profit or loss as other income or finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognized in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

3.15 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other borrowing costs are expensed in the period in which they are incurred.

3.16 Revenue recognition

The Group recognizes revenue from contracts with customers when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding amounts collected on behalf of third parties.

The transfer of control can occur over time or at a point in time. Revenue is recognized at a point in time unless one of the following criteria is met, in which case it is recognized over time: (a) the customer simultaneously receives and consumes the benefits as the Group performs its obligations; (b) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Revenue from contracts with customers

The Group is principally engaged in the business of producing paper-based products. Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The Group has concluded that it acts as a principal as it controls the goods or services before transferring to the customer.

Revenue Streams

The following specific recognition criteria must also be met before revenue is recognized:

Revenue from Product Sales
The Group manufactures and sells a wide range of paper, cartons and packaging materials in the domestic and international markets. Revenue from product sales is recognized at the point in time when control of the goods is transferred to the buyer, which is normally upon delivery of the goods. Trade discounts are determined at inception of the contract and is not subject to variability. Returns do not result to significant variable consideration. The general payment terms with customers are cash upon order and credit terms which generally ranges from 30 to 90 days from invoice date.

Variable Consideration - Discounts
In the normal course of business, the Group provides incentives such as discounts to customers which are typically considered in the determination of consideration or prices to be charged to the customers of the date of transaction. There are no variable consideration that is dependent upon fulfillment of certain conditions in the future that may result to reversal of revenue.

Service Income
Service income represents revenue from tolling and is recognized over time, which is upon rendering of services to a customer through processing of the raw materials into finished goods, to which the customer simultaneously receives and consumes the benefits provided by the Group. Revenue is measured based on customer-approved output per month.

Rental Income
Rental income arising from certain machinery and equipment is accounted for on a straight-line basis over one year. Lease incentives granted are recognized as an integral part of the total rent income over the term of the lease.

Interest Income
Interest income on bank deposits, net of withholding tax, and other income are recorded when earned.

Other Income
Revenue is recognized when earned.

Contract balances

Receivable from customers
A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract assets
A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

Contract liabilities
A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due, whichever is earlier. Contract liabilities are recognized as revenue when the Group performs under the contract.

3.17 Cost and expenses recognition

Costs and expenses are decreases in economic benefits during the reporting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Cost and expenses are recognized when incurred are presented in profit or loss using function of expense method.

3.18 Related party transactions and relationship

Related party relationship exists when one party has the ability to control, directly, or indirectly through one or more intermediaries, the other party or exercise influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting enterprise, or between, and/or among the reporting enterprise and its key management personnel, directors, or its shareholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form. Related parties may be individuals or corporate entities.

Due to/from related parties are non-interest-bearing borrowings. These are measured initially at their nominal values and subsequently recognized at amortized costs less settlement payments.

3.19 Equity

Share capital is measured at par value for all shares issued. When the shares are sold out at a premium, the difference between the proceeds and the par value is credited to the “Share Premium” account. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued to extinguish or settle the liability of the Group, the shares shall be measured either at the fair value of the shares issued or fair value of the liability settled, whichever is more reliably determinable.

Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax.

Retained earnings represent the cumulative balance of periodic net income or loss, dividend distribution, prior period adjustments, effect of changes in accounting policy and other capital adjustments. When retained earnings account has a debit balance, it is called “deficit”, and presented as a deduction from equity.

Dividends are recognized when they become legally payable. Dividend distribution to equity shareholders is recognized as liability in the Group’s consolidated financial statements in the period in which the dividends are declared and approved by the Group’s Board of Directors.

3.20 Income taxes

Current income tax
Current income tax assets and liabilities for the current period is measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the statements of comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax
Deferred tax is provided using the liability method on all temporary differences between the tax bases of assets and liabilities and their carrying amounts for reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit or loss; and

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interest in joint ventures, when timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry-forward of unused tax credits from excess minimum corporate income tax (MCIT) and net operating loss carry over (NOLCO), and any unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits from MCIT and NOLCO and unused tax losses can be utilized, except:

- When the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination; and at the time of the transaction, affects neither the accounting profit nor taxable profit (or loss).

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced 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 asset to be utilized.

Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.
Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle the liabilities simultaneously.

3.21 Value added taxes (VAT)

Revenues, expenses, and assets are recognized net of the amount of VAT except:

- Where the sales tax incurred on a purchased of assets or services is not recoverable from the taxation authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of VAT included.

3.22 Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in PFRS 16.

This policy is applied to contracts entered into, on or after January 1, 2019.

Group as Lessor

The Group determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, the lease is classified as a finance lease; if not, it is classified as an operating lease. As part of the assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease. If a head lease is a short-term lease to which the Group applies the recognition exemption, it classifies the sublease as an operating lease.

If an arrangement contains lease and non-lease components, the Group applies PFRS 15, Revenue from Contracts with Customers to allocate the consideration in the contract.

The Group recognizes lease payments received under operating leases as rent income on a straight-line basis over the lease term.

Group as a Lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

i. ROU Asset

The Group recognizes a ROU asset (i.e., the date the underlying assets is available for use) at the lease commencement date. The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The ROU asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the ROU asset reflects that the Group will exercise a purchase option. In that case, the ROU asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the ROU asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

ii. Lease Liability

At commencement date, the lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the ROU asset or is recorded in profit or loss if the carrying amount of the ROU asset has been reduced to zero. In the case of modification that is not accounted for as a separate lease and which decreases the scope of the lease, the carrying amount of the ROU asset is decreased to reflect partial or full termination and any gain or loss is recognized in profit or loss. A tease modification is accounted for as a separate lease if it adds the ROU to one or more underlying assets and the increase in consideration is commensurate with the stand-alone selling price for the increase in scope and any appropriate adjustments to reflect circumstances of the contract.

iii. Short-term Leases and Lease of Low-value Assets

The Group has elected not to recognize ROU assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

3.23 Provisions and contingencies

Provisions

Provisions are recognized when: (a) the Group has a present obligation (legal or constructive) as a result of past events; (b) it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate of the amount of the obligation can be made. Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognized as a separate asset only when it is virtually certain that reimbursement will be received. The amount recognized for the reimbursement shall not exceed the amount of the provision. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements but are disclosed in the notes to the consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable.

3.24 Group's operating segments

The Group's operating segments are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

SCPC is the only operating subsidiary of STN prior to the acquisition of SMPC. SCPC's activity after it ceased its packaging operations in 2006 is limited to leasing of properties. SMPC, on the other hand, was acquired on December 29, 2020. As such, SMPC's results of operations in 2020 were considered as pre-acquisition and were not consolidated in the consolidated statements of comprehensive income. Given the foregoing, SCPC's leasing business with SMPC represents the only reportable segment of the Group in 2020 and 2019. Following the acquisition of SMPC in 2020, the Group has only one business segment which is related to SMPC's packaging business.

3.25 Earnings per share (EPS) attributable to equity holders

Basic EPS is calculated by dividing the profit attributable to the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Group and held as treasury shares. Diluted EPS is calculated by adjusting the weighted average number of ordinary shares outstanding and assume conversion of all dilutive potential ordinary shares.

If the number of ordinary or potential shares outstanding increases as a result of a capitalization, bonus issue or share split, or decreases as a result of a reverse share split, the calculation of basic and diluted EPS for all periods presented shall be adjusted retrospectively. If these changes occur after the reporting period but before the financial statements are authorized for issue, the per share calculations for those and any prior period financial statements presented shall be based on the new number of shares.

The Group has no dilutive potential common shares outstanding.

3.26 Events after the end of the reporting period

Post year-end that provides additional information about the Group's position at the balance sheet date (adjusting events), are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes when material.

NOTE 4 – MANAGEMENT'S USE OF JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the consolidated financial statements in accordance with PFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, income and expenses reported in the consolidated financial statements at the reporting date. However, uncertainty about these judgments, estimates and assumptions could result in an outcome that could require a material adjustment to the carrying amount of the affected asset or liability in the future.

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. Revisions are recognized in the period in which the judgments and estimates are revised and in any future period affected.

Judgments

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

Functional Currency. Based on the economic substance of the underlying circumstances relevant to the Group, the functional currency has been determined to be the Philippine Peso. It is the currency that mainly influences the sales price of services of the Group and the costs of providing these services.

Operating Lease Commitments - Group as Lessor. The Group has entered into an operating lease agreement as a lessor. The Group had determined that it retains all the significant risks and rewards of ownership of the properties leased out on the operating lease.

Rent income recognized in profit or loss amounted to nil both in 2024 and 2023, and ₱5.38 million in 2022, respectively.

Incremental Borrowing Rate on Leases. The Group cannot readily determine the interest rate implicit in the leases. Therefore, it uses its relevant incremental borrowing rate to measure lease liabilities.

The incremental borrowing rate is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The incremental borrowing rate, therefore, reflects what the Group would have to pay, which requires estimation when no observable rates are available and to make adjustments to reflect the terms and conditions of the lease. The Group estimates the incremental borrowing rate using observable inputs (such as market interest rates) when available and is required to consider certain contract and entity-specific estimates.

The Group's lease liabilities amounted to ₱15.157 million, and ₱22.215 million, as at December 31, 2024, and 2023, respectively.

Determining the Lease Term of Contracts with Renewal Options - Group as Lessee

The Group has a lease contract that include extension options. At lease commencement date, the Group applies judgment in evaluating whether it is reasonably certain to exercise the option to renew the lease by considering all relevant factors that create an economic incentive for it to exercise the renewal option. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or change in circumstances within its control.

Classification of Financial Instruments. The Group exercises judgments in classifying financial instrument or its component parts, on initial recognition as a financial asset, a financial liability, or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated statements of financial position.

The Group uses its judgment in determining the classification of financial assets based on its business model in which assets are managed and their cash flow characteristics. The classification and fair values of financial assets and financial liabilities are presented in Note 6.

Business Model. The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to the management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- How the performance of the portfolio is evaluated and reported to the Company's management;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- How managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- The frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future salary activity.

Cash Flow Characteristics - Payments of Principal and Interest. For the purposes of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basis lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of the contractual cash flows such that it would not meet these conditions. In making this assessment, the Group considers:

- Contingent events that would change the amount or timing of cash flows;
- Terms that may adjust the contractual coupon rate, including variable rate features;
- Prepayment and extension features; and
- Terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

The Group determines that the business model for financial assets at amortized cost is held to collect contractual cash flows and meets the solely principal and interest criterion as at December 31, 2024, and 2023.

Determining whether the Group is Acting As a Principal or Agent in a Revenue Transaction. The determination of whether the Group acts as a principal or agent in a contract is made by identifying each specified service promised to the customers in the contract and evaluating whether the Group obtains control of the specified service before it is transferred to the customer.

The Group determined that it acts as a principal in its revenue transactions.

Measurement of Fair Values. A number of the Group’s accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group uses market observable data when measuring the fair value of an asset or liability. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques.

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy based on the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

The fair values of the Group's financial instruments are disclosed in Note 6.

Estimates and Assumptions

The key estimates and assumptions used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Actual results could differ from such estimates.

Acquisition Accounting. At the time of acquisition, the Group considers whether the acquisition represents an acquisition of a business or a group of assets. The Group accounts for an acquisition as a business combination if it acquires an integrated set of business processes in addition to the group of assets acquired.

The Group accounts for acquired businesses using the acquisition method of accounting which requires that the assets acquired and the liabilities assumed are recognized at the date of acquisition based on their respective fair values.

The application of the acquisition method requires certain estimates and assumptions concerning the determination of the fair values of acquired assets as well as liabilities assumed at the acquisition date. Moreover, the useful lives of the acquired intangible assets, if any, and property and equipment have to be determined. Accordingly, for significant acquisitions, the Group obtains assistance from valuation specialists. The valuations are based on information available at the acquisition date.

The Group has determined that the acquisition of SMPC represents a business due to the presence of the integrated set of activities acquired.

In 2020, the Group recognized a gain amounting to ₱267.46 million resulting from the acquisition of SMPC. (Note 5)

Assessment of ECL Allowance on Receivables. The Group, applying the simplified approach in the computation of ECL, initially uses a provision matrix based on historical default rates for trade and other receivables. The Group also uses appropriate groupings if its historical credit loss experience shows significantly different loss patterns for different customer segments. The Group then adjusts the historical credit loss experience with forward-looking information on the basis of current observable data affecting each customer segment to reflect the effects of current and forecasted economic conditions.

The Group adjusts historical default rates to forward-looking default rate by determining the closely related economic factor affecting each customer segment. The Group regularly reviews the methodology and assumptions used for estimating ECL to reduce any differences between estimates and actual credit loss experience. The determination of the relationship between historical default rates and forecasted economic conditions is a significant accounting estimate.

The Group has assessed that the forward-looking default rate component of its ECL on receivables are not material because substantial amounts of receivables has been collected. Moreover, based on management's assessment, current conditions and forward-looking information does not indicate a significant increase in credit risk exposure of the Group from its receivables.

Allowance for impairment losses in receivables amounted to ₱107.408 million and ₱77.523 million as at December 31, 2024, and 2023. The carrying amounts of receivables amounted to ₱737.37 million and ₱852.71 million as at December 31, 2024, and 2023, respectively. (Note 9)

Assessment for ECL on Other Financial Assets at Amortized Cost. The Group determines the allowance for ECL using general approach based on the probability-weighted estimate of the present value of all cash shortfalls over the expected life of financial assets at amortized cost. ECL is provided for credit losses that result from possible default events within the next 12-months unless there has been a significant increase in credit risk since initial recognition in which case ECL is provided based on lifetime ECL.

When determining if there has been a significant increase in credit risk, the Company considers reasonable and supportable information that is available without undue cost or effort and that is relevant for the particular financial instrument being assessed such as, but not limited to, the following factors:

- Actual or expected external and internal credit rating downgrade;
- Existing or forecasted adverse changes in business, financial or economic conditions; and
- Actual or expected significant adverse changes in the operating results of the borrower.

The Group has assessed that the ECL on other financial assets at amortized cost is not material because the transactions with respect to these financial assets were entered into by the Group only with reputable banks. Accordingly, no additional provision of ECL on other financial assets at amortized cost was recognized in 2024 and 2023. The carrying amounts of other financial assets at amortized cost are as follows:

	2024	2023
Cash in banks	₱ **67,152**	₱ 112,951
Receivables – net	**737,367**	852,652
Refundable security deposits	**17,675**	13,099
	₱ **822,194**	₱ 978,758

Estimating Allowance for Inventory Obsolescence. The Group's inventories are written down to their net realizable value (NRV) whenever their NRV fall below carrying amounts due to physical damage, obsolescence or adverse changes in prices. In determining NRV, management considers estimated selling price of inventories less the estimated costs of completion and the estimated costs necessary to make the sale.

Allowance for inventory obsolescence amounted to ₱3.336 million and ₱26.819 million as at December 31, 2024, and 2023.

The carrying amounts of inventories amounted to ₱2,645.32 million and ₱2,040.58 million as at December 31, 2024, and 2023, respectively.

Estimation of Useful Lives of Property and Equipment

The Groups estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment 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.

In addition, estimation of the useful lives of property and equipment is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future financial performance could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of property and equipment would increase recorded costs and expenses and decrease noncurrent assets.

There was no change in the estimated useful lives of property and equipment in 2024 and 2023.

The carrying amount of the Group’s property and equipment amounted to ₱828.093 million and ₱775.385 million as at December 31, 2024, and 2023, respectively.

Determination of Impairment on Nonfinancial Assets

FRS requires that an impairment review be performed on prepaid expenses and other current assets, asset held-for-sale, right-of-use asset and property and equipment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Determining the recoverable amounts of these assets requires the estimation of cash flows expected to be generated from the continued use and ultimate disposition of such assets. While it is believed 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 amounts and any resulting impairment loss could have a material adverse impact on the financial performance.

Based on the assessment of the Group, certain nonfinancial assets are to be provided with allowance for impairment.

Allowance for impairment losses on advances to suppliers amounted to ₱1.843 million as at December 31, 2024, and 2023.

No impairment loss was recognized on right-of use assets and property and equipment as at December 31, 2024, and 2023.

Present Value of Defined Benefit Retirement Obligation
The present value of the defined benefit retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. These assumptions are described in note to the financial statements and include discount rate and salary increase rate.

The Group determines the appropriate discount rate at the end of each reporting period. It is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the retirement obligations. In determining the appropriate discount rate, the Group considers the interest rates on government bonds that are denominated in the currency in which the benefits will be paid. The terms to maturity of these bonds should approximate the terms of the related retirement obligation.

Other key assumptions for the defined benefit retirement obligation are based in part on current market conditions.

While it is believed that the Group's assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the Group's defined benefit retirement obligation.

As at December 31, 2024, and 2023, retirement benefits liability amounted to ₱21.204 million and ₱13.940 million, respectively. Retirement benefits expense amounted to ₱2.983 million, ₱4.036 million, and ₱1.36 million in 2024, 2023, and 2022, respectively. (Note 26)

Estimation of Realizability of Deferred Tax Assets
The Group reviews its deferred tax assets at 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. The Group's assessment on the recognition of deferred tax assets on deductible temporary differences and carry-forward benefits of NOLCO is based on the projected taxable income in the following periods.

Deferred tax assets amounting to ₱24.937 million and ₱24.325 million as at December 31, 2024, and 2023, respectively, related to the acquired deferred tax assets of SMPC. Deferred tax assets of STN and SCPC have not been recognized as at December 31, 2024 and 2023 because management believes that it is not probable that future taxable profit will be available against which the deferred tax assets may be utilized (Note 22).

Provisions and Contingencies
The Group, in the ordinary course of business, sets up appropriate provisions for its present legal or constructive obligations, if any, in accordance with its policies on provisions and contingencies. In recognizing and measuring provisions, management takes risks and uncertainties into account.

As of December 31, 2024, the Group has recognized provision for doubtful accounts amounting to ₱29.885 million.

NOTE 5 – BUSINESS COMBINATION

On December 29, 2020, the Group acquired 269,250,000 shares of SMPC, representing 100% equity interest in SMPC, in exchange for the 269,250,000 shares of stock of the Parent Company, issued at par value of ₱1.

The following summarizes the recognized provisional and final amounts of assets acquired and liabilities assumed at acquisition date:

	Provisional Amount	Fair Value Adjustment	Final Amount
Assets			
Cash	₱ 34,257	₱ -	₱ 34,257
Receivables	336,333	-	336,333
Inventories	671,367	-	671,367
Prepaid expenses and other current assets	27,822	-	27,822
Property and equipment	323,705	155,924	479,629
Right-of-use asset	5,767	86	5,853
Advances to third parties	1,060	-	1,060
Deferred tax assets	19,779	-	19,779
Input value-added taxes	12,847	-	12,847
Refundable security deposits	1,343	-	1,343
	₱ 1,434,280	₱ 156,010	₱ 1,590,290
Liabilities			
Trade payables and other current liabilities	₱ 537,866	₱ -	₱ 537,866
Loans payable	346,247	-	346,247
Amounts owed to related parties	108,653	-	108,653
Lease liabilities (including current portion)	6,283	(217)	6,066
Income tax payable	114	-	114
Deferred tax liability	-	46,777	46,777
Retirement benefits liability	7,858	-	7,858
	₱ 1,007,021	₱ 46,560	₱ 1,053,581
Total Identifiable Net Assets	₱ 427,259	₱ 109,450	₱ 536,709

Provisional and final gain as a result of the acquisition of a subsidiary follows:

	Provisional Amount	Fair Value Adjustment	Final Amount
Consideration transferred:			
Capital stock	₱ 269,250	₱ -	₱ 269,250
Total identifiable net assets	427,259	109,450	536,709
Gain on acquisition	₱ 158,009	₱ 109,450	₱ 267,459

As a result of adjustments to correct the fair values of properties and equipment acquired, the resulting gain in acquisition increased by ₱109.450 million. Accordingly, the gain on the acquisition of SMPC amounted to ₱267.459 million and recognized as "Gain in acquisition of a subsidiary" in the 2020 consolidated statement of comprehensive income.

Since SMPC was acquired on December 29, 2020, SMPC's results of operations in 2020 were considered as pre-acquisition. For the year ended December 31, 2020, the consolidated revenues and net income of the Group would have increased by ₱1,276.50 million and ₱15.94 million, respectively, had the acquisition been completed at the beginning of the reporting period.

Receivables
The fair value of receivables amounted to ₱336.333 million. The gross amounts of Receivables are ₱344.980 million, of which ₱8.646 million is expected to be uncollectible as at the acquisition date.

Acquisition-related Costs
The Group incurred acquisition-related costs of ₱5.800 million and ₱2.021 million for the years ended December 31, 2021 and 2020, respectively, which have been included in the "Operating expenses" account in the consolidated statements of comprehensive income.

NOTE 6 – FINANCIAL RISK AND CAPITAL MANAGEMENT OBJECTIVES AND POLICIES

Objectives and Policies

The Group's financial assets and liabilities, comprising mainly of cash in banks, receivables, investments in equity instruments, refundable security deposits, trade payables and other current liabilities, amounts owed to related parties, lease liabilities and loans and borrowings, are exposed to a variety of financial risks: liquidity risk, credit risk and market risk (includes foreign currency risk, and interest rate risk). Management ensures that it has sound policies and strategies in place to minimize potential adverse effects of these risks on the Group's financial performance.

Risk management is carried out through the policies approved by the BOD. They identify and evaluate financial risk. The BOD provides principles on overall risk management and on specific areas such as liquidity risk, credit risk and market risk.

Liquidity Risk

Liquidity risk pertains to the failure of the Group's to discharge its obligations and commitments. The tight cash position limits its obligation to take advantage of increasing demands. The Group's financial liabilities include trade payables and other current liabilities, amounts owed to related parties, lease liabilities and loans and borrowings.

The Group regularly monitors its cash position, continuously negotiates with creditors for new credit terms and depends on the financial support from its operating subsidiary and shareholders to meet its obligation as they fall due.

In December 2020, significant amount of the Group's borrowings was converted into equity. The remaining assets subject to dacion en pago under the provisions of the Amended Agreement pertain to investment in preferred shares of SLC with fair value of ₱190 million with reference to the municipality zonal value of land owned by SLC. In 2023, this transaction was completed and the balance of borrowings was paid in full.

Credit Risk

Credit risk is the risk of financial loss to the Group if a counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises from deposits with banks and receivables. Cash transactions are limited to high-credit-quality financial institutions.

The Group has established controls and procedures in its credit policy to determine and monitor the credit worthiness of its counterparties. The Group manages its credit risk mainly through the application of transaction limits and close risk monitoring. It is the Group's policy to enter into transactions with a wide diversity of creditworthy counterparties to mitigate any significant concentration of credit risk.

The gross maximum exposure of the Group to credit risk as at December 31, 2024 and 2023, without considering the effects of collaterals and other risk mitigation techniques, is presented below.

Particulars		2024		2023
Cash in banks	₱	**67,152**	₱	112,951
Receivables		**737,367**		852,652
Refundable security deposits		**17,105**		13,099
Total	₱	**821,624**	₱	978,758

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

The Group's exposure to credit risk arises from default of counterparty. Generally, the maximum credit risk exposure of receivables is it's carrying amount without considering collaterals or credit enhancements, if any.

The Group does not execute any credit guarantee in favor of any counterparty.

Cash in Banks
Cash in banks are held with counterparties with high external credit ratings. The credit quality of these financial assets is considered to be high grade. Impairment on cash in banks has been measured on a 12-month ECL basis and reflects the short maturities of the exposures. The Group considers that its cash in banks have low credit risk based on the external credit ratings of its counterparties.

Receivables
The exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence credit risk of the Group's customer base.

The Group has established a credit policy under which each new customer is analyzed individually for creditworthiness before the standard payment and delivery terms and conditions are offered. The Group ensures that sales on account are made to customers with appropriate credit history. The Group has detailed credit criteria and several layers of credit approval requirements before engaging a particular customer or counterparty. The review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer and are reviewed on a regular basis. Customers that fail to meet the benchmark creditworthiness may transact with the Group only on a prepayment basis.

Refundable Security Deposits
Deposits on property leased by the Group are generally refundable at the end of the term. The Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Based on historical information, management consider the credit quality of refundable deposits to be good.

Credit Quality and Expected Credit Loss Assessment
In monitoring and controlling credit extended to counterparty, the Group adopts a comprehensive credit rating system based on financial and non-financial assessments of its customers. Financial factors being considered comprised of the financial standing of the customer while the non-financial aspects include but are not limited to the assessment of the customer's nature of business, management profile, industry background, payment habit and both present and. potential business dealings with the Group.

The table below shows the credit quality of the Group's financial assets as at:

2024		**High Grade**		**Medium Grade**		**Low Grade**		**Total**
Cash in banks	₱	**67,152**	₱	**-**	₱	**-**	₱	**67,152**
Trade and other receivables		**-**		**629,959**		**107,408**		**737,367**
Refundable deposits		**-**		**17,675**		**-**		**17,675**
Totals	₱	**67,152**	₱	**647,634**	₱	**107,408**	₱	**822,194**

2023		High Grade		Medium Grade		Low Grade		Total
Cash in banks	₱	112,951	₱	-	₱	-	₱	112,951
Trade and other receivables		-		775,129		77,523		852,652
Refundable deposits		-		13,099		-		13,099
Totals	₱	112,951	₱	788,228	₱	77,523	₱	978,702

The Group classifies its receivables into the following credit grades:

High Grade – This pertains to accounts with a very low probability of default as demonstrated by the customer/debtor long history of stability, profitability and diversity. The customer/debtor has the ability to raise substantial amounts of funds through the public markets. The customer/debtor has a strong debt service record and a moderate use of leverage.

Medium Grade – The customer/debtor has no history of default. The customer/debtor has sufficient liquidity to fully service its debt over the medium term. The customer/debtor has adequate capital to readily absorb any potential losses from its operations and any reasonably foreseeable contingencies. The customer/debtor reported profitable operations for at least the past 3 years.

Low Grade – The customer/debtor is expected to be able to adjust to the cyclical downturns in its operations. Any prolonged adverse economic conditions would however ostensibly create profitability and liquidity issues. Operating performance could be marginal or on the decline. The customer/debtor may have a history of default in interest but must have regularized its service record to date.

The table below presents the Group’s exposure to credit risk and shows the credit quality of the financial assets by indicating whether the financial assets are subjected to 12-month ECL or lifetime ECL. Assets that are credit-impaired are separately presented.

		Financial Assets at Amortized Cost						
December 31, 2024		**12-month ECL**		**Lifetime ECL- not credit impaired**		**Lifetime ECL- credit impaired**		**Total**
Cash in banks	₱	**67,152**	₱	**-**	₱	-	₱	**67,152**
Receivables		-		**629,959**		**107,408**		**737,367**
Refundable security deposits		**-**		**-**		-		**17,675**
Total	₱	**67,152**	₱	**629,259**	₱	**107,408**	₱	**822,194**

		Financial Assets at Amortized Cost						
December 31, 2023		12-month ECL		Lifetime ECL- not credit impaired		Lifetime ECL- credit impaired		Total
Cash in banks	₱	112,951	₱	-	₱	-	₱	112,951
Receivables		-		775,129		77,523		852,652
Refundable security deposits		11,362		1,737		-		13,099
Total	₱	124,313	₱	776,866	₱	77,523	₱	978,702

The Group believes that the unimpaired amounts are past due by more than 60 days are still collectible based on historical payment behavioral analyses of the underlying counterparties’ credit ratings.

Credit Risk Concentration
The Group's exposure to credit risk arises from default of counterparty. Generally, the maximum credit risk exposure of receivables is it's carrying amount without considering collaterals or credit enhancements, if any. The Group has no significant concentration of credit risk since the Group deals with a large number of homogenous trade customers as at December 31, 2021. However, in 2024 and 2023, a customer accounted for more than 30% of the total revenues and receivables. The Group does not execute any credit guarantee in favor of any counterparty.

Market Risk

Market risk is the risk that the changes in market prices, such as foreign exchange rates, interest rates and other market prices, will affect the Group's income or the value of its holdings in financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Foreign Currency Risk
Foreign currency risk is the risk that the values of the financial assets and financial liabilities will fluctuate due to changes in foreign exchange rate. The Group's exposure to foreign exchange risk results from its business transactions and assets and liabilities denominated in foreign currencies.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of each reporting period are as follows:

		2024		
Particulars		**USD**		**Peso equivalent**
Cash in banks	$	**379**	₱	**21,988**
Receivables – net		**5,870**		**340,163**
Loans payable		**(1,625)**		**(94,169)**
Total	$	**4,624**	₱	**267,982**

**Exchange rate used is USD1=₱57.95 as of December 31, 2024*

		2023		
Particulars		USD		Peso equivalent
Cash in banks	$	915	₱	50,649
Receivables – net		6,134		339,507
Loans payable		(2,000)		(110,700)
Total	$	5,049	₱	279,456

**Exchange rate used is USD1=₱55.35 as of December 31, 2023*

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rates, with all other variables held constant, of the Group's income before income tax.

		Appreciation/ Depreciation of foreign currency		Effect on Income Before tax
US Dollar	**2024**	**+1%**	₱	**2,658**
		-1%		**(2,658)**
	2023	+1%		2,801
		-1%		(2,801)

The analysis above is based on the forecasted foreign currency exchange rate to be reasonably possible at end of the next reporting period.

Interest Rate Risk
Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposures to interest rate risk relates primarily to the Group's loans and borrowings. The Group's exposure to changes in interest rates relates mainly to the long-term loan drawn from a local bank in 2021 with a floating interest rate based on the prevailing market rate at each repricing date. The Group's short-terms loans have fixed interest rates over the term of the loan.

Share Price Changes of Investments in Equity Instruments
The Group has investments in equity instruments traded in the Philippine Stock Exchange and are exposed to share price changes. Share price changes of investments in equity instruments arises from future commercial transactions and recognized assets and liabilities.

The following table demonstrates the sensitivity to a reasonably possible change in the fair value of investments in equity instruments, with all other variables held constant:

	Effect on Equity			
	2024		2023	
	3% Increase	**3% Decrease**	6% Increase	6% Decrease
Investment in equity instruments	**₱ 6,378**	**₱ (6,378)**	₱ 8,144	₱ (8,144)

Fair Value Estimation of Financial Assets and Liabilities

Cash in Banks and Receivables. The carrying amounts of cash in banks and receivables approximate fair values due to the relatively short-term maturities of these financial instruments.

Investments in Equity Instruments. The fair value of quoted investments in equity instruments is determined by reference to their quoted bid prices at the reporting date (Level 1). The fair values of golf shares and country club memberships are based on cost since there is no realizable basis for fair value.

The Group does not have financial assets classified under Level 2 and 3.

Refundable Security Deposits. The carrying amount of refundable security deposits approximate the fair value, since the Group does not anticipate the carrying amount to be significantly different from the actual value that these deposits would be eventually collected.

Trade Payables and Other Current Liabilities, Amounts Owed to Related Parties and Current Portion of Loans and Borrowings. The carrying amounts of trade payables and other current liabilities, amounts owed to related parties and current portion of borrowings approximate fair value due to the relatively short-term maturities of these financial instruments.

Borrowings, Net of Current Portion. Borrowings, net of current portion are reported at their present values, which approximate the cash amounts that would fully satisfy the obligations as of reporting date. The carrying amount of long-term loans payable with floating interest rate with monthly repricing approximates its fair value.

Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments in the light of changes in economic conditions.

The BOD has overall responsibility for monitoring capital in proportion to risk. Profiles for capital ratios are set in the light of changes in the Group's external environment and risks underlying the Group's business, operation and industry.

The Group monitors capital on the basis of debt-to-equity ratio, which is calculated as total debt divided by total equity. Total debt is defined as total liabilities. While equity is total equity as shown in the consolidated statements of financial position. The Parent Company being a listed entity is covered by the PSE requirement of 10% minimum public ownership. The Parent Company is under suspended trading status in PSE since 2006 pursuant to the PSE's Implementing Guidelines for Companies under Corporate Rehabilitation when the Company notified the PSE in a disclosure that the stockholders have approved entering into rehabilitation proceedings (Note 1).

There were no changes in the Group's approach to capital management during the year.

The Group is not subject to externally imposed capitalization requirements.

The Group monitors its financial leverage using the debt-to-equity which is computed as total liabilities divided by total equity as shown in the table below:

		2024		2023
Total liabilities	₱	**3,718,495**	₱	3,364,214
Total equity		**972,645**		859,686
Debt-to-equity ratio		**3.8231:1**		3.9133:1

NOTE 7 – CASH

As of December 31, the account consists of:

		2024		2023
Cash on hand	₱	**110**	₱	90
Cash in bank		**67,152**		112,951
Total	₱	**67,262**	₱	113,041

The Group's cash in bank earns annual interest at the respective bank deposit rates.

Interest income from cash in banks amounted to ₱0.055 million, ₱0.051 million, and ₱0.038 million in 2024, 2023, and 2022, respectively (Note 21).

NOTE 8 – RECEIVABLES – NET

As of December 31, the account consists of the following:

		2024		2023
Trade receivables:				
Third parties	₱	**562,140**	₱	582,076
Related party		**7,522**		58,385
		569,662		640,461
Less allowance for expected credit losses on:				
Trade receivables – third parties		**(107,408)**		(77,523)
		462,254		562,938
Other receivables:				
Third parties		**197,882**		175,639
Related party		**77,231**		114,075
		275,113		289,714
Net	₱	**737,367**	₱	852,652

Trade receivables are non-interest bearing and are generally with 30 to 90-day term. Non-trade receivables pertain to reimbursements of costs incurred on behalf of entity under common control.

Movement of allowance for expected credit losses is as follows:

		2024		2023
January 1,	₱	**77,523**	₱	77,523
Provision		**29,885**		-
December 31,	₱	**107,408**	₱	77,523

For the period ended December 31,2024, the Group recognized additional provision for expected credit losses amounting to ₱29,885,409 which was attributed to the increase of overdue accounts in 2024 arising from 2023 billings.

In 2023, the Group identifies additional uncollectible accounts wherein the respective debtors provided a collateral to secure the debt. Hence, the Group believes that the collectability of the receivables is high and no additional allowance for expected credit losses should be recognized. For the period ended December 31,2023, no additional provision was recognized and the allowance for expected credit losses was deemed to be sufficient.

NOTE 9 – INVENTORIES – NET

As of December 31, the account consists of:

		2024		2023
Raw material	₱	**2,312,027**	₱	1,768,884
Work-in-process		**36,858**		33,916
Materials and supplies		**208,209**		193,263
Finished goods		**91,561**		71,338
Total		**2,648,657**		2,067,401
Allowance for inventory obsolescence		**(3,336)**		(26,819)
Lower of cost and net realizable value	₱	**2,645,320**	₱	2,040,582

Allowance for inventory write down pertains to damaged raw materials and unusable or obsolete materials and supplies.

Roll-forward of allowance for inventory losses as follows:

		2024		2023
Balance at beginning of year	₱	**26,819**	₱	26,819
Reversal of previously recognized inventory losses		**(23,482)**		-
Balance at end of year	₱	**3,336**	₱	26,819

In 2024, the Group has updated the estimated among its inventories which resulted to the reversal of allowance for inventory losses amounting to ₱23.482 million attributed to the increase of estimated net realizable value as compared to the carrying value of inventories as of December 31, 2024. No additional provision for inventory losses was recognized.

In 2023, there were no additional provisions for inventory losses because the Group was able to convert the scrap into saleable items.

NOTE 10 – PREPAYMENT AND OTHER CURRENT ASSETS – NET

The account consists of:

		2024		2023
Input VAT – net	₱	**14,887**	₱	55,360
Creditable withholding taxes		**87,102**		72,258
Prepaid importation charges		**72,498**		123,729
Refundable security deposits		**16,185**		11,362
Advances to suppliers		**1,863**		1,863
Prepaid insurance		**7,917**		6,897
Other prepayments		**9,531**		7,134
Total		**209,983**		278,603
Less: Allowance for impairment losses and unrecoverable prepaid taxes		**(1,843)**		(1,843)
Net	₱	**208,140**	₱	276,760

Input tax is the 12% value added tax (VAT) on purchase of goods or services in the course of its trade or business. At the end of each taxable period, input tax can be applied against output tax.

Prepaid taxes include creditable withholding taxes withheld by the Group's customers which can be applied against future income tax liability. Prepaid importation charges pertain to advance payments to various suppliers of imported paper rolls.

Refundable security deposits pertain to cash deposits on container vans and leases of warehouse and office space. Security deposits on container vans are refundable upon return of container vans while security deposits on leases are refundable at the end of the lease period.

As of December 31, 2024 and 2023, refundable deposits classified as non-current assed amounted to ₱1.490 million and ₱1.738 million, respectively.

NOTE 11 – ASSETS HELD FOR SALE

Investment in associate (SLC) represents 249,500 common shares and 4,920 voting preferred shares with a par value of P1 per share and P10 per share, respectively. The Parent Company's percentage of interest in SLC is based on its direct 10.22% equity plus the 29.49% equity in SLC held by its two (2) wholly-owned subsidiaries. All the shares are included in the dacion en pago in compliance with the approved loan restructuring (Note 1). This arrangement materialized in 2010 and the amount was reclassified from investment in associate to asset held-for-sale.

The ownership of the Group in SLC is measured at lower of the carrying amount and fair value less cost to sell. In 2012, the preferred shares held by the Parent Company in SLC amounting to P0.049 million were transferred to Greenkraft in relation to dacion en pago (Note 1) and reduced the loan for the same amount.

As at December 31, 2012, the carrying amount of the shares related to the Parent Company's preferred shares in SLC based on par value was also reduced to ₱0.249 million after issuance of the certificate authorizing registration.

In September 2023, the remaining dacion en pago was implemented relating to the Group's shares in SLC. The Group assigned its shares in SLC with a cost of ₱72.705 million to Greenkraft as payment to its remaining balance of borrowings to Greenkraft amounting to ₱190 million. As of December 31, 2023, the Group has fully-settled its borrowings to Greenkraft.

The carrying amount related to the shares of SCPC in SLC amounted to ₱47.895 million and ₱120.600 million, respectively.

The movements and balances of the asset held-for-sale as at December 31, 2024 and 2023 are as follows:

Investment in an Associate		
Cost		
January 1, 2010	₱	386,598,000
Accumulated Share in Net Losses		
January 1, 2010		(28,012,402)
Share in financial performance for the year		(55,196,859)
		(83,209,261)
Allowance for impairment		(182,338,000)
Carrying amount reclassified as asset held-for-sale in 2010	₱	121,050,739
Assigned/written-off in 2012		(450,000)
Balance since 2012	₱	120,600,739

		2024		2023
Asset held-for-sale				
Beginning balance	₱	-	₱	120,600,739
Disposal		-		(120,600,739)
Ending balance	₱	-	₱	-

Certificate Authorizing Registration of SCPC for the assignment of the preferred shares in SLC to Greenkraft has already been completed on June 5, 2023 after resubmission of all pertinent documents related to the deed of assignment. The transfer and issuance of new stock certificate to Greenkraft was fully consummated on September 29, 2023.

NOTE 12 – PROPERTY PLANT AND EQUIPMENT, NET

As of December 31, the account consists of:

Particulars	Land	Machinery and Equipment	Leasehold Improvements	Transportation Equipment	Furniture, Fixtures and Equipment	Building and Improvements	Construction in Progress	Total
Cost								
December 31, 2022	₱ 185,587	607,931	40,411	18,736	12,636	344,876	5,653	1,215,830
Additions	-	29,435	1,970	4,261	3,760	1,392	39,608	80,426
Disposals	-	-	-	(288)	-	-	-	(288)
Reclassifications	-	-	-	-	-	-	-	-
December 31, 2023	185,587	637,366	42,381	22,709	16,396	346,268	45,261	1,295,968
Additions	-	80,897	13,462	1,177	6,260	1,400	133,399	236,595
Disposals	-	-	-	-	-	-	-	-
Adjustments		135,390	4,345	-	1,245	(2,251)	(140,980)	(2,251)
December 31, 2024	**185,587**	**853,653**	**60,188**	**23,886**	**23,901**	**345,417**	**37,680**	**1,530,312**
Accumulated Depreciation and Amortization								
December 31, 2022	-	262,588	23,533	7,020	6,594	42,778	-	342,513
Depreciation	-	101,347	7,434	3,896	2,953	62,728	-	178,358
Disposals	-	-	-	(288)	-	-	-	(288)
December 31, 2023	-	363,935	30,967	10,628	9,547	105,506	-	520,583
Depreciation	-	104,856	6,178	3,766	4,157	63,008	-	181,965
Disposals	-	-	-	-	-	0	-	-
Adjustments	-	-	-	-	-	(328)	-	(328)
December 31, 2024	**-**	**468,791**	**37,145**	**14,394**	**13,704**	**168,186**	**-**	**702,220**
Carrying amount								
December 31, 2023	₱ 185,587	₱ 273,431	₱ 11,414	₱ 12,081	₱ 6,849	₱ 240,762	₱ 45,261	₱ 775,385
December 31, 2024	**₱ 185,587**	**₱ 384,862**	**₱ 23,043**	**₱ 9,492**	**₱ 10,197**	**₱ 177,231**	**₱ 37,680**	**₱ 828,092**

In 2021, SCPC availed of a long-term loan for the purchase of land acquired in December 2021. The acquired land serves as a security to the loan availment.

The land and improvements thereon in San Vicente, Davao del Norte and land in Carmen, Davao del Norte are subject to mortgage under the Omnibus Loan and Security Agreement (OLSA) entered by the SCPC, SMPC and another affiliate in 2021. As at December 31, 2024, and 2023, the carrying amount of mortgaged land and improvements amounted to ₱185.587 million.

Depreciation is recognized as follows:

	2024	2023	2022
Cost of sales	₱ **104,007**	₱ 119,013	₱ 65,098
Cost of services	**825**	22,623	59,479
Operating expenses	**77,133**	84,517	84,121
Total	₱ **181,965**	₱ 226,153	₱ 208,698

NOTE 13 – INVESTMENT IN EQUITY INSTRUMENTS

The account consists of investments in shares of stock of utility companies and golf/country club memberships which were designated as financial assets at FVOCI.

These investments were measured at fair value based on quoted prices as at December 31, 2024 and 2023.

As of December 31, the movements of investments in equity instruments are as follows:

	2024	2023
Cost		
Balance at beginning of year	₱ **133,852**	₱ 102,435
Additions	**44,715**	86,605
Disposals	**(15,275)**	(55,188)
Balance at end of year	**163,292**	133,852
Changes in Fair Value		
Balance at beginning of year	**6,003**	(3,346)
Changes in fair value	**16,093**	23,581
Transfers of fair value reserve for investments in equity instruments designated at FVOCI	**(4,396)**	(14,232)
Balance at end of year	**17,700**	6,003
Total	₱ **180,992**	₱ 139,855

NOTE 14 – TRADE AND OTHER PAYABLES

The account consists of the following:

		2024		2023
Trade payables				
Third parties	₱	**159,700**	₱	77,635
Related parties		**65,776**		326,145
		225,475		403,780
Advances from customers				
Third parties		**102,704**		120,723
Related parties		**309,282**		303,435
		411,986		424,158
Accrued expenses				
Third parties		**388,996**		495,496
Related parties		**43,212**		48,507
		432,208		544,003
Payable to bank		**768,732**		382,335
Deferred output tax - net		**142,040**		103,376
Payable to government agencies		**15,402**		11,768
Others		**13,688**		391
Total	₱	**2,009,532**	₱	1,869,811

Trade payables generally have 30-day term and includes interest-bearing letter of credits with terms ranging from 90 to 180 days.

Payables to bank pertain to trust receipts transaction with banks used to purchase imported paper with terms of 60 to 180 days. Interest expense on letter of credits recognized in profit or loss amounted to ₱15.77 million, ₱10.18 million, and ₱4.383 million in 2024, 2023, and 2022.

Advances from customers pertain to advance payments made by customers for purchase of goods. As of December 31, 2024, and 2023, the Group has not refunded any amount.

Accrued expenses mainly pertain to accrued charges from Bureau of Customs for raw materials importation, payable to other tolling customers and suppliers for paper purchases.

Details of accrued expenses as at December 31 are as follows:

Particulars		**2024**		2023
Importation cost	₱	**32,522**	₱	56,668
Salaries and other employee benefits		**9,990**		14,450
Other purchases:				
Third parties		**314,412**		389,490
Related parties		**43,212**		48,507
Insurance		**6,766**		2,434
Professional fees		**8,360**		19,563
Outside services		**4,752**		3,660
Taxes and licenses		**2,287**		2,299
Others		**9,907**		6,932
Total	₱	**432,208**	₱	544,003

Other purchases pertain to accruals of other supplies and services locally purchased and incurred for the period.

NOTE 15 – LOANS PAYABLE

This account consists:

		2024		2023
Current portion:				
Various local banks	₱	**1,239,780**	₱	942,134
Net of current portion:				
Local bank loan		**389,368**		468,231
Total	₱	**1,629,148**	₱	1,410,365

Short-term Loans

Short-term loans from local banks are unsecured, peso-denominated promissory notes intended for additional working capital requirements of the SMPC. These are payable within six months and bear annual interest rates ranging from 5.75% to 6.50% and 4.75% to 6.25% in 2024 and 2023, respectively.

The related interest expense on the above loans recognized in profit or loss amounted to ₱46.75 million, ₱33.674 million, and ₱37.328 million in 2024, 2023, and 2022, respectively.

For the period ended December 31, 2024, 2023 and 2022, the capitalizable borrowing cost amounted to ₱4,096,274, nil, and nil, respectively. Capitalizable borrowing rate is at 3.23% in 2024, nil for both years 2023 and 2022.

Omnibus Loan and Security Agreement (OLSA)

On November 29, 2021, the SCPC, SMPC, and another affiliate, collectively as Borrowers, entered into an Omnibus Loan and Security Agreement (OLSA) with a local bank. The loan has seven-year term and up to an aggregate amount of P2 billion or its U.S. Dollar equivalent. The proceeds of the loan will be used to finance the purchase by the Borrowers of the subject assets as described in Section 1 of Part C of the OLSA. The loan drawdown will enable the Borrowers to purchase the subject properties and to operate the Dole Philippines Inc. (DPI) box plant property in Davao.

The loan has floating interest rate based on the prevailing market rate at each repricing date, with a one-time option to fix. The loan is secured by mortgaged properties as described in Part C, Section 3.02 and enumerated in Schedule II of the OLSA, and future receivables of the Borrowers, and guaranteed by the major shareholders of the Parent Company.

The other essential elements of the OLSA, among others, are summarized below:

a) The Borrowers are entitled to a grace period on principal payments for the first 12 months reckoned from the initial drawdown and shall pay only interest on the loan amount. At the end of the 13th month from the initial drawdown date, the Borrowers shall commence payment of the principal and interest. The principal payments shall be made in 72 equal monthly amortizations beginning on the 13th month from the initial drawdown date.
b) The Borrowers shall pay interest on the outstanding advance monthly in arrears at the interest rate on each interest payment for the interest period. The interest rate on the advance payment shall be the prevailing market rate as of the repricing date.
c) The Borrowers shall not sell, lease, transfer, grant or otherwise dispose all or substantially all of its properties and assets, except for leases entered into with any of the Borrower's affiliates for the lease of DPI Box Plant and Printing Plant.
d) Cross default and cross acceleration provision as an event of default. This is when the Borrower defaults in the payment of principal or interest or commits violation of any terms and conditions, or accelerate or permit acceleration, of any agreement and the lender believes that the breach or violation will adversely and materially affect the Borrower's operations or ability to perform its obligation under the OLSA.

e) No new borrowing, unless with consent of the lenders.
f) Creditor's consent for change in material ownership in the borrowers and mortgagors.
g) Standard covenants, representations and warranties

In December 2021, the SCPC initially availed of the loan amounting to $2,588,000 equivalent to P130.401 million for the purchase of land (Note 11).

On January 24, 2022, the SCPC availed the second and final drawdown of the loan amounting to $9,087,396.

As at November 29, 2022, the loan has been fully drawn by the SCPC and an affiliate. SMPC has no loan drawdown as of December 31, 2023.

In 2022, SCPC's outstanding loans payable were converted to Philippine peso.

In accordance with Part B, Section 5.01 (m) of the OLSA, the Borrowers are required to maintain debt to service coverage ratio of at least 1.25x, a total debt-to-equity ratio of 1.5 to 1, and a debt to EBITDA of no more than three times. The SCPC has failed to comply with the financial ratios indicated in the OLSA as at December 31, 2021. The OLSA provides that default provisions, other than payment default, are remediable within 30 days after written notice from the lender of such failure to comply with the terms or covenant in the OLSA.

As at December 31, 2024, and 2023, the Borrowers have not received any notice of default from the lender that will trigger the non-compliance with financial ratios an event of default. On February 17, 2025 and April 1, 2024, upon the request of SCPC, SCPC received a letter from the lender confirming that the bank did not declare SCPC in default under the OLSA notwithstanding their non-compliance with the required financial ratios as at December 31, 2024, and 2023, respectively.

Transaction cost on loan availment pertaining to documentary stamp tax paid in 2021 amounted to ₱4.522 million, of which ₱1.002 million relates to initial drawdown in 2021 and recorded as deduction from loans payable, and the remaining balance of ₱3.520 million relates to final drawdown in January 2022 recorded as part of Prepaid taxes (Note 9).

Omnibus Agreement (Amended in 2010)

Borrowings from Greenkraft and Roxburgh were secured loans and were originally obtained from lending banks under the Omnibus Agreement's revolving working capital facility subject to annual interest rates prior to assignment of the loan to third parties in 2006. The said creditors/lenders are now considered related parties of STN following the dacion en pago arrangements and reassessment of related party relationships in 2010.

The property and equipment of the Group and present and future receivables of the subsidiaries are used as collateral in accordance with the Amended Agreement. In 2012, the total fair value of assets pledged as security, which includes investment in an associate, land and land improvements and building and building improvements. Declined from P290 million to P289.88 million (Note 1). In 2014. The land and land improvements and building and building improvements of SCPC were transferred to the creditors/lenders.

Furthermore, the Amended Agreement provides for certain affirmative and negative covenants subject for compliance by the Company and payment terms as discussed in Note 1 which is due after completion of dacion en pago that is expected to be completed in 2022.

Upon approval of the Amended Agreement, the above creditors are aware of the Group's non-compliance with covenant due to the Group's financial condition and such will not be a ground to default from the Amended Agreement.

As discussed in Note 1, the accrued interest amounting to ₱294.6 million which was capitalized as part of the loan principal in 2010 in accordance with the Amended Agreement, was condoned by its major creditors in 2011. In addition, the accrued interest in 2010 amounting to ₱13.1 million was also reversed in 2011 in relation to the 2-

year grace period provided by its creditors. These were all offset against advances to SCPC as the proceeds of the original loan were loaned by the Parent Company to SCPC, subject to the same interest rates.

In 2012. TPC and SCPC's investment in shares of stock with SLC amounting to ₱0.64 million was assigned to Greenkraft as part of the dacion en pago arrangements (Note 1) resulting to a reduction of the borrowing balance.

In 2013, the creditors/lenders granted STN two (2) years extension of principal repayment, reduction of interest rate from 6% p.a. to 2% p.a. for the first five (5) years and further waive interest charges annually until 2019.

On July 17, 2019, the BOD and Stockholders of the Parent Company approved the conversion of loans from Greenkraft and Roxburgh into common shares in STN. The minority shareholders present or represented at the meeting unanimously voted to waive the requirement to conduct a right or public offering of the shares to be issued by virtue of debt-to-equity conversion. Consequently, principal and interest payments on long-term debt was suspended beginning July 2019.

On December 29, 2020, the Parent Company issued 149,562,081 shares to Greenkraft and Roxburgh effecting the debt-to-equity conversion following the SEC approval of the Parent Company's increase in authorized capital stock on the same day.

In September 2023, the remaining dacion en pago was implemented relating to the Group's shares in SLC. The Group assigned its shares in SLC with a cost of P72.705 million to Greenkraft as payment to its remaining balance of borrowings to Greenkraft amounting to P190 million resulting to a gain on disposal (Note 19). As of December 31, 2023, the Group has fully-settled its borrowings to Greenkraft.

Changes in liabilities from financing activities are as follows:

	2024	2023
Balance at beginning of year	₱ **1,410,365**	₱ 1,038,358
Additions to borrowings	**2,042,435**	3,732,865
Payments to borrowings	**(1,824,969)**	(3,360,858)
Amortized discount	**1,317**	-
	₱ **1,629,148**	₱ 1,410,365

NOTE 16 – RELATED PARTY TRANSACTIONS

In the normal course of business, the Group has transactions and balances with its related parties. All material related party transactions are subject to approval by the BOD. Material related party transactions pertain to those transactions, either individually or in aggregate over a 12-month period, that exceed 10% of the Group's total assets based on the latest audited financial statements. All other related party transactions that are considered not material are approved by management.

The balances and transactions with related parties as at and for the years ended December 31 follows:

Category	Year	*Note*	Amount of Transaction	Trade and other receivables	Trade payables and other current liabilities	Due to Related Parties	Terms	Conditions
Entities under Common Control								
Reimbursements	2023	*b*	-	122	-	-	Collectible on demand; non-	Unsecured;
	2024		**-**	**87**	**-**	**-**	interest bearing	no impairment
Other Related Parties								
Lease and warehousing costs	2023	*D*	5,322	-	5,322	-	Payable on demand; non-interest	Unsecured;
	2024		**6,993**		**7,250**		bearing	no impairment
Purchases	2023	*C*	31,416		341,870		Payable on demand; non-interest	Unsecured;
	2024		**16,098**		**100,214**		bearing	no impairment
Sales	2023	*c*	74,908	172,338			Collectible on demand; non-	Unsecured;
	2024		**74,255**	**84,666**			interest bearing	no impairment
Advances from customers	2023	*f*	164,541		322,602		Payable on demand; non-interest	Unsecured;
	2024		**412,621**		**309,282**	-	bearing	no impairment
Advances	2023	*a*	614			41,253	Payable on demand; non-interest	Unsecured;
	2024		-	-	-	**43,453**	bearing	no impairment
Key Management Personnel								
Short-term benefits	2023	*20*	4,976				Payable on demand;	Unsecured
	2024		**18,030**	-	-	-		
TOTAL	2023			172,460	629,580	47,883		
TOTAL	**2024**			**84,753**	**416,746**	**43,453**		

a. Amounts owed to related parties consist mainly of non-interest-bearing advances for working capital requirements with no definite repayment dates.

b. Reimbursement of various expenses were paid in advance by the Parent Company and charged to the related party.

c. SMPC has sales and purchases of inventories with related parties. These transactions are unsecured, non-interest bearing and are generally with 30 to 90-day term. Outstanding related party balances of SMPC were assumed by the Group upon acquisition in December 2020 (Note 5).

d. *Sales to and Purchases from Related Parties*
   Sales and purchases of inventories with related parties are made in the ordinary course of business. These transactions are unsecured, non-interest bearing and are generally with 30 to 90-day term.

e. *Lease and Warehousing Costs*
   On January 9, 2024, the Company entered into a one-year lease agreement with SCPC, renewable for another year subject to such terms and conditions mutually acceptable to the parties, for corrugators and converting equipment amounting to ₱5,000,000 per month. This agreement was terminated effective October 1, 2024.

   On August 15, 2023, in relation to the OLSA disclosed in Note 9, the Company entered into a three-year lease agreement with SCPC starting January 1, 2024, renewable for another year subject to such terms and conditions mutually acceptable to the parties, for the rental of 8,000 sqm land including building and improvements and box making machine located in Alejal Carmen, Davao Del Norte with monthly rental of P5,000,000.

   On December 20, 2024, the Company amended the lease agreement dated August 15, 2023 with an increase in monthly rental rate from ₱5,000,000 to ₱7,500,000 effective beginning October 1, 2024 and expiring on December 31, 2026, all other terms prior to the said amendment remains the same as mutually agreed and acceptable to the parties. The lease agreement qualified as lease under PFRS 16 (see Note 20).

   On October, 21, 2023, SMPC entered into a lease and warehousing cost agreement with Golden Bales Corporation for the lease and warehousing of certain properties for its plate-making process. The contract is for a period of 2 years which will expire on October 2, 2025. The lease agreement qualified as lease under PFRS 16 (see Note 27).

f. Advances from customers pertains to advance payments made by related parties for purchase of goods.

g. The Company entered into an agreement wherein Steniel Cavite Corporation (SCPC) desires to engage the services of Steniel Manufacturing Corporation (SMC) to manage and operate its Business with management fee amounting to ₱25,000,000 for the year ended December 31, 2024.

h. Compensation of the Group’s key management personnel is comprised of short-term benefits amounting to P18.03 million, P4.976 million, and P4.263 million, in 2024, 2023 and 2022, respectively, recognized as part of “Professional fees and outside services” account under Operating expenses (Note 20).

Unless otherwise indicated, amounts due to/from related parties are expected to be settled in cash.

The long-term loan of SCPC under the OLSA is guaranteed by the Parent Company’s major shareholders without any charge (Note 15).

NOTE 17 – SHARE CAPITAL

The share capital of the Group is as follows:

	2024			2023		
	No. of shares		**Amount in Thousand**	No. of shares		Amount in Thousand
Authorized ₱1.00 par	**2,000,000,000**	₱	**2,000,000**	2,000,000,000	₱	2,000,000
Subscribed, issued, paid-up and outstanding:	**1,418,812,081**	₱	**1,418,812**	1,418,812,081	₱	1,418,812

On July 17, 2019, the BOD and Stockholders of the Parent Company approved the acquisition of shares of SMPC through a share swap transaction wherein all shareholders of SMPC will exchange all their shares in SMPC for shares of the Parent Company. On the same date, the BOD and Stockholders also approved the conversion of loans from Greenkraft and Roxburgh into common shares in STN. The said approvals were reconfirmed on November 19, 2020.
To accommodate the transactions discussed above, the BOD and Stockholders approved the amendment of the AOI to increase the authorized capital stock from ₱1 billion, divided into one billion common shares to ₱2 billion, divided into two billion common shares with par value of ₱1 per share.

On December 29, 2020, the SEC approved the increase in authorized capital stock of the Parent Company. On the same date, the Parent Company issued 269,250,000 shares to the shareholders of SMPC in exchange for all of their shareholdings to the latter. The Parent Company also issued 149,562,081 shares to its lenders effecting the debt-to-equity conversion.

Expenses incurred that are directly attributable to the issuance of shares. Net of related tax benefit, amounted to ₱6.21 million. Such amount was deducted against additional paid-in capital in 2020.

Additional Paid-in Capital
The Parent Company's loans were restructured in October 2010 and the 123,817,953 unissued shares amounting to ₱123.82 million were issued to a creditor to settle portion of the loan amounting to ₱247.63 million. The excess of the amount settled over the amount of issued shares (₱123.81 million) was recognized as part of additional paid-in capital (Note 1).

Earnings (Loss) Per Share
Basic earnings per common share in centavos for the years ended December 31, is calculated as follows:

		2024		2023		2022
Net income	₱	**100,159**	₱	81,860	₱	28,355
Divided by weighted average number of common shares, in thousands		**1,418,812**		1,418,812		1,418,812
Basic and diluted earnings(loss) per share	₱	**0.071**	₱	0.0577	₱	0.0200

There are no dilutive shares used in the computation of the earnings per shares, hence, basic earnings per share is the same with the dilutive earnings per share.

NOTE 18 – SHARE PREMIUM

The movements of share premium are as follows:

		2024		2023
At January 1	₱	**408,423**	₱	408,423
Share premium on shares issued during the year				
Gross proceeds		**-**		-
Direct attributable issuance costs		**-**		-
End	₱	**408,423**	₱	408,423

Share premium arises when the amount subscribed is in excess of nominal value.

NOTE 19 – REVENUES

Recognition of each revenue stream is as follows:

Particulars		2024		2023		2022
Products sold at point in time	₱	**3,257,753**	₱	3,225,431	₱	1,716,844
Services transferred over time		**19,395**		181,436		488,569
Total	₱	**3,277,148**	₱	3,406,867	₱	2,205,413

The Company's disaggregation of each source of product sales is presented below:

Particulars		2024		2023		2022
Local sales	₱	**2,490,344**	₱	2,616,679	₱	1,037,570
Indirect export sales		**701,302**		700,186		675,932
Sales of scrap		**117,991**		72,024		40,172
Sales discount		**(51,884)**		(163,458)		(36,830)
Total	₱	**3,257,753**	₱	3,225,431	₱	1,716,844

NOTE 20 – COST OF SALES AND SERVICES

For the years ended December 31, the account consists of:

Particulars		2024		2023		2022
Cost of sales	₱	**2,730,498**	₱	2,891,810	₱	1,653,233
Cost of services		**6,191**		102,070		170,401
Total	₱	**2,736,689**	₱	2,993,880	₱	1,823,634

Cost of Sales

Details of the account as follows:

	2024	2023	2022
Raw materials, beg	₱ **1,768,884**	₱ 1,729,512	₱ 549,309
Add: Purchases	**2,789,186**	2,548,867	2,630,557
Total raw materials	**4,558,070**	4,278,379	3,179,866
Less: Raw materials, end	**(2,312,027)**	(1,768,884)	(1,729,512)
Raw materials used	**2,246,043**	2,509,495	1,450,354
Direct labor	**40,918**	41,968	15,528
Factory overhead	**466,704**	376,609	221,704
Total manufacturing cost	**2,753,665**	2,928,072	1,687,586
Add: Work-in-process, beg	**33,915**	24,573	13,426
Total goods available for manufacturing	**2,787,580**	2,952,645	1,701,012
Less: Work-in-process, end	**(36,858)**	(33,916)	(24,574)
Total goods manufactured	**2,750,722**	2,918,729	1,676,438
Add: Finished goods, beg	**71,338**	44,419	21,214
Total goods available for sale	**2,822,060**	2,963,148	1,697,652
Less: Finished goods, end	**(91,562)**	(71,338)	(44,419)
Total	₱ **2,730,498**	₱ 2,891,810	₱ 1,653,233

Cost of Services

Details of the account as follows:

	2024	2023	2022
Cost of services:			
Materials used	₱ **2,369**	₱ 31,732	₱ 39,819
Indirect labor	**1,188**	18,159	30,231
Depreciation and amortization	**825**	23,142	62,123
Utilities	**568**	9,025	5,948
Salaries, wages and benefits	**455**	7,978	16,822
Supplies	**445**	3,531	2,443
Repairs and maintenance	**139**	3,612	
Outside services	**82**	1,255	4,919
Warehousing cost	**56**	695	1,861
Insurance	**27**	2,490	5,204
Fuel and oil	**8**	111	477
Rent	**6**	-	-
Taxes and licenses	**2**	40	113
Others	**22**	300	441
Total	₱ **6,191**	₱ 102,070	₱ 170,401

Details of factory overhead are as follows:

		2024		2023		2022
Indirect materials used	₱	**186,339**	₱	112,572	₱	36,756
Depreciation and amortization		**112,287**		141,717		85,954
Indirect labor		**63,858**		43,685		40,614
Supplies		**39,071**		18,574		14,964
Utilities		**24,691**		15,329		18,197
Insurance		**15,162**		13,097		4,804
Repairs and maintenance		**9,712**		19,003		11,766
Outside services		**7,319**		6,600		4,540
Warehousing cost		**4,997**		3,655		3,155
Fuel and oil		**633**		585		441
Rent		**188**		-		-
Taxes and licenses		**42**		212		105
Others		**2,405**		1,580		408
Total	₱	**466,704**	₱	376,609	₱	221,704

NOTE 21 – OPERATING EXPENSES

This account consists of the following:

		2024		2023		2022
Salaries, wages and employee benefits	₱	**86,184**	₱	72,605	₱	56,328
Depreciation		**77,133**		84,517		84,121
Delivery expense		**67,510**		58,330		43,017
Insurance, taxes and licenses		**50,338**		46,477		18,041
Professional fees, outside services and legal fees		**36,271**		22,255		15,087
Provision for impairment		**29,885**		-		12,582
Utilities		**26,638**		24,378		16,043
Fines and penalties		**6,293**		-		-
Transportation and travel		**4,972**		4,706		6,504
Repairs and maintenance		**4,726**		2,191		1,687
Office and Computer supplies		**3,571**		4,206		2,819
Listing Fees		**1,535**		261		250
Representation and entertainment		**1,194**		6,906		3,717
Membership dues		**829**		-		-
Publication fees		**185**		-		-
Rent		**182**		-		-
Reversal of previously recognized inventory write-down		**(23,482)**		-		3,960
Miscellaneous		**6,909**		5,114		3,977
Total	₱	**380,873**	₱	331,946	₱	268,133

NOTE 22 – OTHER INCOME (CHARGES) - NET

This account consists of the following:

		2024		2023		2022
Realized gain/loss on change in foreign exchange rate	₱	**15,725**	₱	5,624	₱	(51,432)
Dividend Income		**6,791**		5,550		4,759
Interest income		**56**		51		38
Loss due to earthquake		**(94)**		-		-
Gain on disposal of investment		**-**		69,399		-
Gain on sale of property and equipment		**-**		-		4,000
Others		**53,897**		46,223		5,913
Total	₱	**76,375**	₱	126,847	₱	(36,722)

Others include penalties, power charges, starch mark-up, consumers price index, and miscellaneous income from disposed materials.

NOTE 23 – INCOME TAXES

On January 5, 2024, Ease of Paying Taxes (EOPT) Act was passed into law. The EOPT Act introduced significant amendments to the National Internal Revenue Code of 1997 ("The Code") which are intended to protect and safeguard taxpayer rights and welfare to modernize tax administration by providing mechanisms that encourage easy compliance at the best cost and resources, and to update the tax system and adopt best practices.

The amendments include the following:

- File and pay anywhere mechanism. Taxes shall be paid either electronically or manually at the time the return is filed.
- Classification of taxpayers into micro, small, medium and large taxpayers.
- Withholding of tax on income payments only when payable.
- Imposing value-added tax (VAT) on services, based on gross sales, no longer on gross receipts.
- VAT invoices are sufficient to substantiate input VAT arising from the purchase at both goods and services.
- Removal of "business style" as a VAT invoicing requirement.
- Removal of withholding tax as requirement for deductibility of income payments.

This account consists of the following:

		2024		2023		2022
Current tax expense	₱	**50,024**	₱	62,320	₱	17,059
Deferred tax expense		**(7,851)**		(5,896)		(14,424)
Effect of change in income tax rate – current		**-**		-		-
Effect of change in income tax rate – deferred		**-**		-		-
Income tax expense	₱	**42,173**	₱	56,424	₱	2,635

The reconciliation of the income tax expense computed at the statutory income tax rates to the income tax expense recognized in profit or loss is as follows:

Particulars		**2024**		2023		2022
Income before income tax	₱	**142,332**	₱	126,310	₱	30,990
Income tax expense (benefit) at statutory tax rate of 25%	₱	**35,583**	₱	31,578	₱	7,748
Adjustments to income tax resulting from:						
Recognition of NOLCO which was previously unrecognized		**(11,499)**		-		(3,900)
Excess of MCIT over RCIT		**-**		13,843		60
Movement of unrecognized deferred tax asset		**(3,923)**		-		(98)
Dividend income		**(1,698)**		(1,389)		(1,190)
Deferred tax on leases		**(309)**		-		-
Interest income subjected to final tax		**(14)**		(12)		(10)
Gain on disposal of PPE		**22,440**		-		-
Nondeductible expenses		**1,593**		389		25
Effect of change in income tax rate - current		**-**		41		-
Effect of change in income tax rate - deferred		**-**		-		-
Total	₱	**42,173**	₱	44,450	₱	2,635

The components of deferred tax assets (liabilities) are as follows:

		2024		2023
Deferred tax assets				
Allowance for ECL	₱	**17,982**	₱	10,511
Allowance for inventory obsolescence		**834**		6,705
Unrealized forex gain		**914**		3,873
Retirement liability		**4,292**		2,476
Leases		**915**		760
		24,937		24,325
Deferred tax liability				
Acquisition of subsidiary		**(15,331)**		(19,745)
Net	₱	**9,606**	₱	4,580

As at December 31, 2024 and 2023, deferred tax assets have not been recognized in respect of the following temporary differences and NOLCO as management believes that it is not probable that sufficient taxable profit will be available against which all deferred tax assets may be utilized.

		2024		2023
Temporary differences:				
Allowance for impairment losses of assets held-for-sale (previously recognized as investment in an associate)	₱	-	₱	199,958
Allowance for impairment of receivables		**35,480**		35,480
Allowance for impairment losses of advances to suppliers		**1,843**		1,843
		37,323		237,281
MCIT		**-**		3,923
NOLCO		**-**		45,995
	₱	**37,323**	₱	287,199

The Group has NOLCO amounting to nil and ₱45.995 million as at December 31, 2024 and 2023, respectively, which can be carried forward as deduction against future taxable income as follows:

Year Incurred	Amount	Expired/ Applied	Balance	Date of Expiry
2023	₱ 45,995	₱ 45,995	₱ -	2026

NOTE 24 – RETIREMENT LIABILITY

The SMPC maintains a non-contributory, defined benefit pension plan (the "Plan") covering substantially all of its regular employees. Under the provisions of the Plan, the normal retirement age is 60, employees, upon reaching retirement age with at least 5 years of service, can avail of early retirement. Employees covered have a vested right to a certain percentage of retirement benefits after completion of at least 5 years of service.

Contributions and costs are determined in accordance with the actuarial studies made for the Plan. Annual cost is determined using the projected unit credit method. The SMPC's latest actuarial valuation date is as at December 31, 2022. Valuations are obtained on a periodic basis.

Under the existing regulatory framework, Republic Act 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

The reconciliation of the present value of defined benefit obligation and the fair value of the plan assets to the recognized liability presented as "Retirement benefits liability - net" in the statements of financial position is as follows:

Particulars	**2024**	2023
Present value of defined benefit obligation	₱ **21,204**	13,940
Fair value of plan assets	**-**	-
(Asset) / liability to be recognized	₱ **21,204**	13,940

Net plan costs for the year are as follows:

Particulars	**2024**	2023
Current service cost	₱ **1,982**	₱ 3,325
Net interest cost	**1,001**	711
Net plan cost to be recognized on profit or loss	**2,983**	4,036
Actuarial (gain) loss – Obligation	**4,390**	-
Remeasurement gain (loss) – Plan assets	**-**	-
Actuarial (gain) loss to be recognized on other comprehensive income	**4,390**	-
Net plan cost to be recognized on total comprehensive income	₱ **2,983**	₱ 4,036

Changes in the present value of the defined benefit obligation are as follows:

Particulars		2024		2023
At beginning of the year	₱	**13,940**	₱	9,904
Interest cost		**1,001**		711
Current service cost		**1,982**		3,325
Benefits paid		**(108)**		-
Actuarial (gain) loss		**4,390**		-
At end of the year	₱	**21,204**	₱	13,940

Changes in the fair value of plan assets are as follows:

Particulars		2024		2023
At beginning of the year	₱	**-**	₱	-
Interest income		**-**		-
Contributions		**-**		-
Benefits paid		**-**		-
Remeasurement gain (loss) – Return on plan assets		**-**		-
At end of the year	₱	**-**	₱	-

Movement in the net retirement benefits liability recognized in the statement of financial position are as follows:

Particulars		2024		2023
Net Liability (Assets) recognized at the beginning of year	₱	**13,940**	₱	9,904
Total retirement expense (income)		**2,983**		4,036
Total amount recognized in OCI		**4,390**		-
Benefits paid		**(108)**		
Liability (asset) recognized at the end of the year	₱	**21,204**	₱	13,940

The principal assumptions used in determining retirement benefit obligations as of December 31, for the Company's plan are as shown below:

	2024	2023
Discount rate	**6.10%**	7.18%
Rate of increase in compensation	**8.00%**	8.00%

The mortality and the disability rates used in the valuation were the 1994 Group Annuity Table and the 1952 Disability Table, respectively.

As at December 31, 2023 and 2022, the weighted average duration of the defined benefit obligation is 18 years.

Sensitivity Analysis on Actuarial Assumptions

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the DBO by . the amounts shown below:

	2024	2023
2024		
Discount rates	+100 basis points.	+100 basis points.
	-100 basis points	-100 basis points
Future salary increases	+1.00%	+1.00%

2023		
Discount rates	+100 basis points	+100 basis points
	-100 basis points	-100 basis points
Future salary increases	+1 .000/0	+1 .000/0

Although analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumption shown.

Maturity analysis of the benefit payments is shown below:

	Carrying amount	Contractual Cashflows	Less than 1 year	Within 1 to 5years	More than 5 years
2024					
Defined benefit obligation	₱ **13,940**	₱ **253,295**	₱ **273**	₱ **5,031**	₱ **247,991**
2023					
Defined benefit obligation	₱ 9,904	₱ 185,124	₱ 143	₱ 1,532	₱ 183,449

The retirement benefits cost recognized as part of "Salaries, wages and other employee benefits" in the statements of comprehensive income are recognized as follows:

Particulars	**2024**	2023
Cost of sales and services	₱ **2,926**	₱ 2,926
Operating expenses	**57**	1,109
Total	₱ **2,983**	₱ 4,035

Funding Arrangements

The Group is not required to pre-fund the future defined benefits payable under the Plan before they become due. For this reason, the amount and timing of contributions to the Retirement Fund are at the Group's discretion. However, in the event a benefit claim arises and the Retirement Fund is insufficient to pay the claim, the shortfall will then be due and payable from the Group to the Retirement Fund.

NOTE 25 – RESTATEMENT OF FINANCIAL STATEMENTS

In 2023, the Group’s consolidated financial statements were restated to incorporate a revision related to the previously disposed cost of an investment acquired from SCPC. This adjustment was necessitated by the completion of the dación en pago process in 2023 (refer to Note 1), resulting in a reduction of the gain on disposal, net of tax, amounting to ₱35.922 million. Additionally, an adjustment of ₱4.625 million was recognized on the cost of equity instruments, arising from discrepancies identified on the cost of disposed investments in the previous year.

Particulars	Balance as of December 31, 2023	Adjustments	**Adjusted Balance as of December 31, 2023**
Parent			
Statements of Financial Position:			
Prepaid expenses and other current assets (Note 7)	₱ 20	₱ 8,764	₱ **8,784**
Investment in equity securities (Note 10)	62,016	(1,098)	**60,918**
Due to related parties (Note 13)	127,148	47,896	**175,044**
Income tax payable	3,210	(3,210)	**-**
Deficit (Note 12)	(1,422,906)	(37,020)	**(1,459,926)**
Statements of Comprehensive Income:			
Other income (Note 14)	221,431	(47,896)	**173,535**
Income tax expense (Note 16)	52,514	(11,974)	**40,540**
Other comprehensive income (Note 10)	14,560	(1,098)	**13,461**

Subsidiary			
Statements of Financial Position:			
Due from related party (Note 13)	121,891	47,896	**169,787**
Asset held-for-sale (Note 8)	47,896	(47,896)	**-**
Investment in equity instruments (Note 10)	73,212	5,724	**78,936**
Retained earnings (Note 14)	208,171	5,724	**213,895**
Statements of Comprehensive Income:			
Other comprehensive income (Note 10)	4,396	5,724	**10,120**
Effect to consolidated financial statements			
Deficit	₱ (942,459)	₱ (31,297)	₱ **(973,756)**
Other comprehensive income	₱ 18,956	₱ 4,625	₱ **23,581**

NOTE 26 – SIGNIFICANT AGREEMENTS

Tolling Agreements

The SMPC has tolling agreements with certain customers wherein these customers will provide paper rolls for the SMPC to process or manufacture into corrugated fiber board boxes at a guaranteed volume subject to the production frequency and specifications to be agreed by both parties. For the services provided, the SMPC will receive tolling fees which are recorded as "Service income" account in the statement of comprehensive income.

Tolling fees amounted to ₱19.39 million and ₱181.4 million in 2024 and 2023, respectively (see Note 14).

Lease Agreements

The Company has existing lease agreements covering its office space, warehouses, machinery and equipment and other facilities which are presently used in Davao City for periods ranging from one (1) to ten (10) years, and a sales office and warehouse in General Santos City for a period of five (5) to ten (10) years, renewable under terms and conditions to be agreed upon by both parties.

In 2023 and 2022, the Group entered into new lease agreements for lease for land, office space, machinery, and equipment. Details of the lease agreements are as follows:

a. The Group leases warehouse stall from BTY and Sons Development Corporation with floor area of 1000 sqm located at BTY Compound, National Highway, General Santos City. The lease commenced on January 1, 2021 and expiring on December 31, 2028. Based on the terms of agreement, rental rates is subject to 10% increase per annum and is required to pay security deposit upon execution of the contract with the amount of P660,225.

b. The Group entered into lease agreement with Jasmine Banana, Inc for the land with a total land area of 18,510 sqm situated at the National Highway, Bunawan District, Davao City for a period of five (5) years, starting from January 1, 2021 and will expire on December 31, 2025. Rental rate for the leased premises is subject to 2.5% increase per annum. The continued use of the leased premises by the lessee upon expiration of the contract without written notice or renewal is allowed by the lessor, noting that this contract will be automatically renewed for one (1) year under the same terms and conditions.

c. The Group leases 133.50 sqm of laboratory space located at Km. 14, After Panacan Sub-Station, Panacan, Davao City. The term of lease cover two (2) years, starting on October 21, 2021 and will expire on October 30, 2023 which is the parties renewed for another two (2) years, starting October 21, 2023 to October 20, 2025. The rental shall be payable within the first five (5) days of the month with the rate of P33.857 subject to 5% increase per annum.

Security deposits paid by the Group as required under the terms and covering lease agreements amounted to ₱17.68 million and ₱13.10 million as at December 31, 2024 and 2023, respectively, which were recognized under

"Prepaid expenses and other current assets" (see Note 8) and "Refundable security deposits" accounts in the statements of financial position.

Roll-forward of ROU assets related to the land and building are as follows:

Particulars		2024		2023
Cost				
Beginning balance	₱	**104,992**	₱	104,546
Additions		**1,841**		446
Disposals		**(63,184)**		-
Adjustment (reclassification)				-
Ending balance		**43,649**		104,992
Accumulated depreciation				
Beginning balance		**85,683**		79,676
Depreciation		**8,280**		71,021
Disposals		**(63,184)**		(65,013)
Adjustment (reclassification)		**-**		-
Ending balance		**30,779**		85,683
Total	₱	**12,870**	₱	19,308

Roll-forward in lease liabilities as follows:

Particulars		2024		2023
Beginning balance	₱	**22,215**	₱	27,553
Additions		**1,841**		-
Interest expense on lease liabilities		**1,186**		3,608
Changes from financing cash flows:				
Payment of principal		**(8,898)**		(5,338)
Payment of interest		**(1,186)**		(3,608)
Ending balances	₱	**15,158**	₱	22,215

The following table sets out a maturity analysis of lease payments, showing undiscounted and discounted lease payments to be received after the reporting date:

Particulars		2024				
		Minimum lease payable		Interest		**Present value of MLP**
Within one year	₱	12,135	₱	677	₱	**12,812**
Between one to five years		1,836		510		**2,346**
More than five years		-		-		**-**
Ending balances	₱	13,971	₱	1,187	₱	**15,158**

Particulars		2023 Minimum lease payable		2023 Interest		2023 Present value of MLP
Within one year	₱	10,487	₱	1,084	₱	**9,403**
Between one to five years		15,336		2,524		**12,812**
More than five years		-		-		**-**
Ending balances	₱	25,823	₱	3,608	₱	**22,215**

Amounts recognized in profit or loss are as follows:

Particulars		**2024**		2023
Interest on lease liabilities	₱	**1,187**	₱	3,608
Depreciation on ROU assets		**93,963**		71,020
Total	₱	**95,150**	₱	74,628

Total cash outflows for leases amounted to ₱14,182 and ₱74,405 in 2024 and 2023, respectively.

Asset Sale Agreement

In May 2021 and August 2021, SCPC, SMPC and certain affiliates executed Asset Sale Agreement (ASA) with DPI, which was amended in December 2021. The asset sale agreement covered the purchase of parcels of land, machinery and equipment, motor vehicles, other assets and shared assets used in the Stanfilco Plants and Dolefil Box and Printing Plants. In the agreement. The SCPC will acquire Stanfilco Box Plant and Stanfilco machinery and equipment. SMPC will enter into long term supply agreement with DPI, and other affiliates will acquire other target assets listed in Schedule 2 of the ASA.

The SCPC has committed to purchase the allocated target assets with total purchase price of USD 9,383,761. As at November 29, 2022, the SCPC has completed the purchase of buildings and improvements, and machineries and equipment amounting to P484.038 million (inclusive of taxes).

The assets acquired is not a business, and does not qualify to be accounted for under PFRS 3 Business Combination wherein the neither liabilities were assumed (acquisition of net assets), nor does not obtain shared control over the acquired assets (acquisition of equity shares) by the Group. Further, none of the business inputs, processes and outputs of the latter were resumed nor acquired. Hence, the Group accounted the transaction as an asset acquisition in accordance with the PAS 16 Property plant and equipment.

Long-term Supply Agreement

In August 2021, the Company executed Asset Sale Agreement with Dole Philippines, Inc. (doing business under the name and style of among other, Dole Philippines and Dole Stanfilco) (DPI), which was amended in December 2021. The asset sale agreement covered parcels of land, machinery and equipment, motor vehicles, other assets and shared assets used in the Stanfilco Plants and Dolefil Box and Printing Plants. In the agreement, the assets will be acquired by SCPC and other affiliates while the Company will enter into long term supply agreement with DPI.

In January 2022, in relation to the Asset Sale Agreement, the Company entered into a long-term supply agreement with DPI to supply boxes, packaging materials, including parts thereof such as cartons, dividers, pods, lids, joints, walls, slots, panels, labels and other printed materials, made of paper, kraft, corrugated boxes and other paper related products. The long-term supply agreement has a term of nine years and six months beginning from August 24, 2022 until February 23, 2032. The agreement can be renewed subject to discussion of the parties.

The transition initiated on February 24, 2022, taking over operations under a tolling arrangement for six months. This period was extended to aid DPI in depleting its substantial inventory of paper rolls. Despite the extension, DPI continued to hold a considerable inventory, leading to an agreement with the Company to further extend the tolling arrangement until depletion or reaching an acceptable inventory level, albeit with liquidation fees considerations.

Valdes Abad & Company
(Formerly: Valdes Abad & Associates)
certified public accountants

CJV Building 108 Aguirre Street, Legaspi Village, Makati City, Philippines

Branches:
Cebu and Davao

Phone: (632) 8892-5931 to 35
(632) 8519-2105
Fax: (632) 8819-1468
Website: www.vcpa.ph
BOA/PRC Reg. No. 0314
SEC Accreditation No. 0314-SEC

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partnering for success

INDEPENDENT PUBLIC AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Stockholders and Board of Directors
STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES
Gateway Business Park
Brgy. Javalera, General Trias, Cavite

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of **STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES** as at December 31, 2024 and 2023 and have issued our report thereon dated April 28, 2025. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule of Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission and is not a required part of the basic consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2024 and 2023 and no material exceptions were noted.

VALDES ABAD & COMPANY, CPAs
BOA/PRC Reg. No. 0314
Issued on July 15, 2024, Valid until July 14, 2027
SEC Accreditation No. 0314 - SEC, Group A
Valid for 2022 – 2026 audit periods
BIR Accreditation No. 08-002126-000-2024
Issued on April 5, 2024, Valid until April 4, 2027

For the firm:

ALFONSO L. CAY-AN
Partner
CPA Registration No. 99805, Valid until December 14, 2026
TIN No. 213-410-741-000
PTR No. 10479078, Issued Date: January 10, 2025, Makati City
BOA/PRC Reg. No. 0314
Issued on July 15, 2024, Valid until July 14, 2027
SEC Accreditation No. 99805 - SEC, Group A
Valid for 2022 – 2026 audit periods
BIR Accreditation No. 08-002126-005-2024
Issued on April 5, 2024, Valid until April 4, 2027

Makati City, Philippines
April 28, 2025

Valdes Abad & Company
(Formerly: Valdes Abad & Associates)
certified public accountants

CJV Building 108 Aguirre Street, Legaspi Village, Makati City, Philippines

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(632) 8519-2105
Fax: (632) 8819-1468
Website: www.vacpa.ph
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SEC Accreditation No. 0314-SEC

REPORT OF INDEPENDENT PUBLIC AUDITORS TO ACCOMPANY SEC SCHEDULES FILED SEPARATELY FROM THE BASIC FINANCIAL STATEMENTS

The Stockholders and Board of Directors
STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES
Gateway Business Park
Brgy. Javalera, General Trias, Cavite

We have examined the consolidated financial statements of **STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES** as of December 31, 2024 on which we have rendered the attached report dated April 28, 2024. Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The applicable supplementary schedules of the Company as of December 31, 2024 and for the year then ended, required by the Securities and Exchange Commission, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information in such supplementary schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

VALDES ABAD & COMPANY, CPAs
BOA/PRC Reg. No. 0314
Issued on July 15, 2024, Valid until July 14, 2027
SEC Accreditation No. 0314 - SEC, Group A
Valid for 2022 – 2026 audit periods
BIR Accreditation No. 08-002126-000-2024
Issued on April 5, 2024, Valid until April 4, 2027

For the firm:

ALFONSO L. CAY-AN
Partner
CPA Registration No. 99805, Valid until December 14, 2026
TIN No. 213-410-741-000
PTR No. 10479078, Issued Date: January 10, 2025, Makati City
BOA/PRC Reg. No. 0314
Issued on July 15, 2024, Valid until July 14, 2027
SEC Accreditation No. 99805 - SEC, Group A
Valid for 2022 – 2026 audit periods
BIR Accreditation No. 08-002126-005-2024
Issued on April 5, 2024, Valid until April 4, 2027

Makati City, Philippines
April 28, 2025

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES
INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES
DECEMBER 31, 2024 and 2023

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES
SCHEDULE A - FINANCIAL ASSETS
DECEMBER 31, 2024

Name of Issuing Entity	Number of Shares	Amount Shown in the December 31, 2024 Consolidated Statements of Financial Position	Income Received and Accrued
ABOITIZ EQUITY VENTURES, INC.	575,000	P19,751,250	P-
ABOITIZ POWER CORPORATION	360,000	13,572,000	851,000
ACEN CORPORATION	-	-	30,000
AYALA CORPORATION	47,000	28,153,000	312,537
AYALA LAND, INC.	-	-	41,000
BELLE CORPORATION	250,000	415,000	-
CHINA BANKING CORPORATION	-	-	110,000
CITICORE ENERGY REIT CORP.	200,000	610,000	40,200
DDMP REIT, INC.	900,000	927,000	149,069
DMCI HOLDINGS, INC.	1,500,000	16,230,000	1,800,000
EAST WEST BANKING CORPORATION	10,000	98,500	5,400
MANILA ELECTRIC COMPANY	26,216	12,793,408	564,431
MANILA WATER COMPANY, INC.	1,190,000	32,130,000	1,328,833
METRO PACIFIC INVESTMENTS CORPORATION	3,000,000	15,540,000	720,300
PHINMA CORPORATION	125,823	2,390,637	72,300
PLDT INC.	1,100	1,424,500	82,600
RIZAL COMMERCIAL BANKING CORPORATION	13,800	329,130	13,993
ROCKWELL LAND CORPORATION	45,700	69,007	8,089
SECURITY BANK CORPORATION	150,000	13,050,000	135,000
SYNERGY GRID & DEVELOPMENT PHILS., INC.	1,135,000	11,123,000	394,299
SM PRIME HOLDINGS, INC.	300,000	7,545,000	34,600
UNION BANK OF THE PHILIPPINES	134,458	4,840,488	96,957
	9,964,097	**P180,991,920**	**P6,790,608**

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES
SCHEDULE B - AMOUNTS RECEIVABLES FROM DIRECTORS OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
DECEMBER 31, 2024
(Amounts in Thousands)

December 31, 2024

Name and designation of debtor	Balance at beginning of period	Amounts (collected) /transferred	Amounts written-off	Current	Non-current	Balance at end of period
SMC employees	P122	(P35)	P-	P87	P-	P87
Other related parties of SCPC	823	(823)	-	-	-	-
Other related parties of SMPC	171,515	(86,849)	-	84,666	-	84,666
	P172,460	**(P87,707)**	**P-**	**P84,753**	**P-**	**P84,753**

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES
SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2024
(Amounts in Thousands)

December 31, 2024

Name and designation of Debtor	Beginning Balance	Additions (Collections)	Assignment / Condonation	Written Off	Current	Non-current	Balance at end of period
Trade receivables							
SCPC	P286,961	P142,584	P-	P-	P429,545	P-	P429,545
SMPC	-	1,792	-	-	1,792	-	1,792
Amounts owed by related party							
SCPC	121,892	32,228	-	-	154,120	-	154,120
SMC	12,125	3,090	-	-	9,035	-	9,035
	P420,978	**P179,694**	**P-**	**P-**	**P594,492**	**P-**	**P594,492**

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES
SCHEDULE D - LONG-TERM DEBT
DECEMBER 31, 2024
(Amount in thousands)

December 31, 2024

Title of issue	Amount authorized by indenture	Amount shown under caption “Current portion of borrowings”	Amount shown under caption “Long term debt” in related balance sheet
Loans payable			
Omnibus Loan and Security Agreement (OLSA)	P461,729	P72,361	P389,368
Short-term loans from local banks	1,167,419	1,167,419	-
	P1,629,148	**P1,239,780**	**P389,368**

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES
SCHEDULE E - INDEBTEDNESS TO RELATED PARTIES (LONG-TERM LOANS FROM RELATED PARTIES)
DECEMBER 31, 2024
(Amount in Thousands)

Name of related party	Balance at beginning of period	Balance at the end of the period
	NOT APPLICABLE	

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES
SCHEDULE F - GUARANTEES OF SECURITIES OF OTHER ISSUERS
DECEMBER 31, 2024

DECEMBER 31, 2024

Name of issuing entity of securities guaranteed by the Company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is filed	Nature of guarantee

NOT APPLICABLE

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES
SCHEDULE G – CAPITAL STOCK
DECEMBER 31, 2024

DECEMBER 31, 2024

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by		
				Related parties	Directors, officers and employees	Others
Common shares	2,000,000,000	1,418,812,081	-	1,131,322,398	7	287,489,595

RECONCILIATION OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
AS REQUIRED BY REVISED SRC RULE 68 ANNEX 68-D
AS AT DECEMBER 31, 2024
(Amount in Thousands)

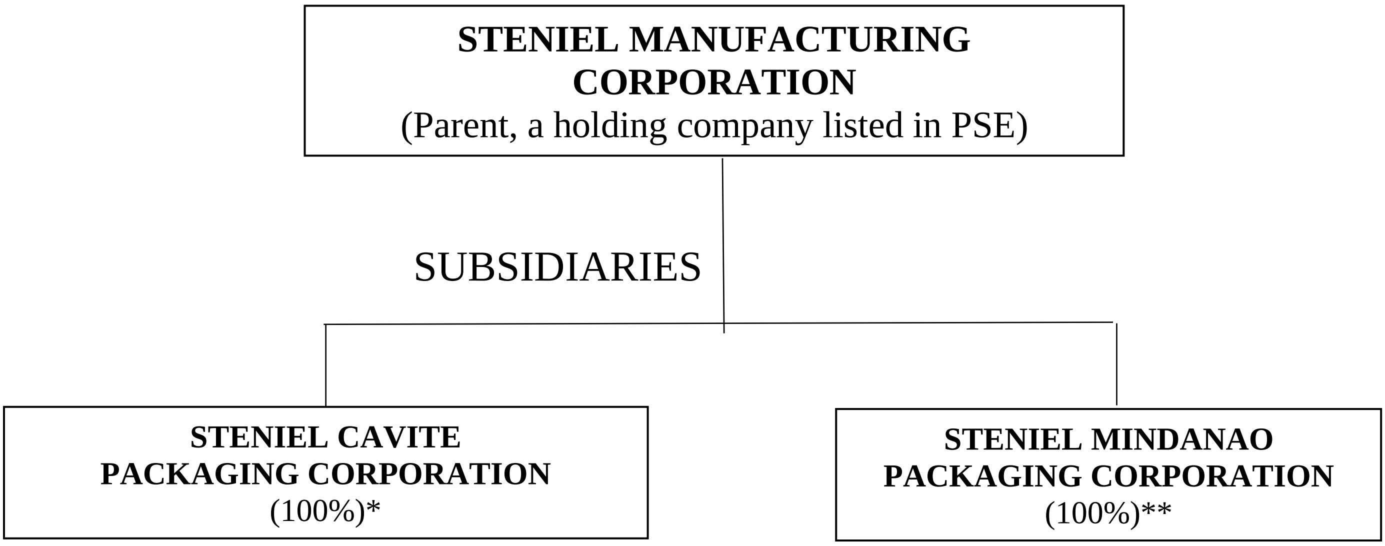
STENIEL MANUFACTURING CORPORATION
Gateway Business Park, Brgy. Javalera,
General Trias, Cavite, Philippines

Unappropriated Retained Earnings (Deficit), as adjusted to available for dividend distribution, beginning*	**(P1,465,215)**
Net income actually earned during the period	
Net loss during the period closed to Retained Earnings (Deficit)	**14,058**
Unappropriated Retained Earnings (Deficit) available for dividend declaration, ending**	**(P1,451,157)**

According to Section 5 of SEC Memorandum Circular No.11 (Series of 2008), a corporation cannot declare dividends when it has zero or negative Retained Earnings (otherwise known as Deficit).
*****Pursuant to the Restated and Amended Omnibus Agreement signed by the Company (as borrower) and lenders/creditor in October 2010, the Company is prohibited from declaring dividends to its owners until full payment of all amounts payable, unless consented in writing by the lenders/creditors.***

STENIEL MANUFACTURING CORPORATION
AND SUBSIDIARIES

MAP OF CONGLOMERATE



**Treasure Packaging Corporation is a wholly-owned subsidiary of Steniel Manufacturing Corporation (STN) which was merged with Steniel Cavite Packaging Corporation effective May 30, 2018.*
***Steniel Mindanao Packaging Corporation was acquired by STN on December 29, 2020*

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES
Gateway Business Park,
Brgy. Javalera, General Trias, Cavite, Philippines

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

Ratio	Formula	As of December 31, 2024	As of December 31, 2023 (As restated)
Liquidity:			
Current Ratio	Current Assets / Current Liabilities	**1.11**	1.14
Solvency:			
Debt to Equity Ratio	Total Liabilities (Current + Noncurrent) / Equity	**3.82**	3.91
Asset to Equity Ratio	Total Assets (Current + Noncurrent) / Equity	**4.82**	4.91
Profitability:			
Return on Average Equity Attributable to Equity Holders of the Parent Company	Net Income Attributable to Equity Holders of the Parent Company / Average Equity Attributable to Equity Holders of the Parent Company	**4%**	40%
		For the year ended December 31, 2024	For the year ended December 31, 2023
Operating Efficiency:			
Operating Margin	Income from Operating Activities / Net Sales	**5%**	2%
Return on Equity	Net Income / Equity	**10%**	10%
Return on Assets	Net Income / Total Assets	**2%**	2%

STENIEL MANUFACTURING CORPORATION AND ITS SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF EXTERNAL AUDITOR
FEE-RELATED INFORMATION
December 31, 2024

Audit and Non-Audit Fees (Parent)		**2024**		2023
Audit Fees (Section 2.1a)	₱	**1,000,000**	₱	1,000,000
Non-audit services fees:				
Other assurance services		**-**		-
Tax services		**-**		-
All other services		**-**		-
Total Non-audit Fees		**-**		-
Total Audit and Non-Audit Fees (Parent)	₱	**1,000,000**	₱	1,000,000

Audit and non-audit fees (Subsidiaries)				
Other related entities		**2024**		2023
Audit fees	₱	**1,000,000**	₱	1,000,000
Non-audit service fees:				
Other assurance services		-		-
Tax services		-		-
All other services		-		-
Total Non-audit Fees		-		-
Total Audit and Non-audit fees (Subsidiaries)	₱	**1,000,000**	₱	1,000,000
Total		**2,000,000**		2,000,000

ANNEX B

2024 Separate Audited Financial Statements of Steniel Manufacturing Corporation

C O V E R   S H E E T
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

						2	3	7	3	6

C O M P A N Y   N A M E

S T E N I E L   M A N U F A C T U R I N G
C O R P O R A T I O N

PRINCIPAL OFFICE *(No. / Street / Barangay / City / Town / Province)*

G A T E W A Y   B U S I N E S S   P A R K
B R G Y .   J A V A L E R A ,   G E N E R A L   T R I A S ,
C A V I T E

Form Type	Department requiring the report	Secondary License Type, If Applicable
A F S		

C O M P A N Y   I N F O R M A T I O N

Company's Email Address	Company's Telephone Number	Mobile Number
N/A	8361-9061	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
3,573	Last Tuesday of April	12/31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
ELIZA C. MACURAY	**elizmacuray@yahoo.com**	8361-9061	0918-911-0919

CONTACT PERSON's ADDRESS

Gateway Business Park, Brgy Javalera, General Trias, Cavite

NOTE 1 : *In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

2 : *All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.*

Your BIR AFS eSubmission uploads were received

From: eafs@bir.gov.ph

To: stenielmanufacturing@yahoo.com

Cc: elizmacuray@yahoo.com

Date: Wednesday, April 30, 2025 at 01:19 PM GMT+8

Hi STENIEL MANUFACTURING CORPORATION,

Valid files

- EAFS000099128AFSTY122024.pdf
- EAFS000099128ITRTY122024.pdf
- EAFS000099128TCRTY122024-01.pdf

Invalid file

- <None>

Transaction Code: **AFS-0-2RM1R4YT0QMZQVSMNPP2WMVST0242PSY2M**
Submission Date/Time: **Apr 30, 2025 01:19 PM**
Company TIN: **000-099-128**

Please be reminded that you accepted the terms and conditions for the use of this portal and expressly agree, warrant and certify that:

- The submitted forms, documents and attachments are complete, truthful and correct based on the personal knowledge and the same are from authentic records;
- The submission is without prejudice to the right of the BIR to require additional document, if any, for completion and verification purposes;
- The hard copies of the documents submitted through this facility shall be submitted when required by the BIR in the event of audit/investigation and/or for any other legal purpose.

STENIEL MANUFACTURING CORPORATION
Gateway Business Park, Brgy. Javalera, Gen. Trias, Cavite

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR ANNUAL INCOME TAX RETURN

The management of **STENIEL MANUFACTURING CORPORATION,** is responsible for all information and representations contained in the Annual Income Tax Return for the year ended December 31, 2024 and December 31, 2023. Management is likewise responsible for all information and representations contained in the financial statements accompanying the ***(Annual Income Tax Return or Annual Information Return)*** covering the same reporting period. Furthermore, the Management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited, to the value added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, Management affirms that the attached audited financial statements for the years ended December 31, 2024 and December 31, 2023, and the accompanying Annual Income Tax Return are in accordance with the books and records of **STENIEL MANUFACTURING CORPORATION** complete and correct in all material respects. Management likewise affirms that:

(a) the Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of the Internal Revenue;
(b) any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to financial accounting standards and the preparation of the income tax return pursuant to tax accounting rules has been reported as reconciling item and maintained in the Company's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances;
(c) the **STENIEL MANUFACTURING CORPORATION** has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.

Nixon Y. Lim
Chairman

Eliza C. Macuray
Chief Finance Officer

Signed this 28th **day of** April, 2025

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **STENIEL MANUFACTURING CORPORATION** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2024 and December 31, 2023, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern basis of accounting unless management either intends to liquidate the Company or cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders or members.

Valdes, Abad & Company, CPAs, the independent auditor appointed by the stockholders or members, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

Nixon Y. Lim
Chairman

Eliza C. Macaray
Chief Finance Officer

Signed this 29th **day of** April, 2025

SUBSCRIBED AND SWORN to before me this 28 APR 2025 at PASIG CITY, affiants exhibited to me their respective competent evidence of identification, as follows:

Name	Valid Identification
NIXON Y. LIM	Philippine Passport No. [redacted] until September 23, 2031
ELIZA C. MACURAY	Philippines Passport No. [redacted] until September 9, 2030

WITNESS MY HAND AND SEAL on the date and at the place first above written.

Do.c No. 308

Page No. 63

Book No. II

Series of 2025

GERALDINE MARIE V. PAULO
Appointment No. 181 (2024-2025)
Notary Public for Pasig City and Pateros
Until December 31, 2025
Attorney's Roll No. 81565
33rd Floor, The Orient Square
F. Ortigas Jr. Road, Ortigas Center, Pasig City
PTR Receipt No. 2863412; 01.02.25; Pasig City
IBP OR No. 497003; 01.03.25; RSM
MCLE Compliance VIII 0011644; 4.14.28

Valdes Abad & Company
(Formerly: Valdes Abad & Associates)
certified public accountants

CJV Building 108 Aguirre Street, Legaspi Village, Makati City, Philippines

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SEC Accreditation No. 0314-SEC

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors and the Stockholders
STENIEL MANUFACTURING CORPORATION
Gateway Business Park
Brgy. Javalera, General Trias, Cavite

Opinion

We have audited the financial statements of **STENIEL MANUFACTURING CORPORATION** (the "Company") which comprise the statements of financial position as of December 31, 2024 and 2023, and the related statements of comprehensive income, statement of changes in equity, and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023 and of its financial performances and its cash flows for the years then ended in accordance Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audit in accordance with the Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, the *Code of Ethics for Professional Accountants in the Philippines (Philippine Code of Ethics)* and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of a Matter

We draw attention to Note 17 to the separate financial statements which describes the restatements on the separate financial statements that we originally reported on April 15, 2024 have been restated, and the matter that gives rise to the restatement of the separate financial statements. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

(i) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; to design and perform audit procedures responsive to those risks; and to obtain audit evidence that is sufficient and appropriate to provide a basis for the auditor's opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(ii) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. In circumstances when the auditor also has a responsibility to express an opinion on the effectiveness of internal control in conjunction with the audit of the financial statements, the auditor shall omit the phrase that the auditor's consideration of internal control is not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

(iii) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

(iv) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If the auditor concludes that a material uncertainty exists, the auditor is required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the opinion. The auditor's conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern

(v) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may be reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Bureau of Internal Revenue Requirement

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on Note 19 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of management. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

VALDES ABAD & COMPANY, CPAs
BOA/PRC Reg. No. 0314
Issued on July 15, 2024, Valid until July 14, 2027
SEC Accreditation No. 0314 - SEC, Group A
Valid for 2022 – 2026 audit periods
BIR Accreditation No. 08-002126-000-2024
Issued on April 05, 2024, Valid until April 04, 2027

For the firm:

ALFONSO L. CAY-AN
Partner
CPA Registration No. 99805, Valid until December 14, 2026
TIN No. 213-410-741-000
PTR No. 10479078, Issued Date: January 10, 2025, Makati City
BOA/PRC Reg. No. 0314
Issued on July 15, 2024, Valid until July 14, 2027
SEC Accreditation No. 99805 - SEC, Group A
Valid for 2022 – 2026 audit periods
BIR Accreditation No. 08-002126-005-2024
Issued on April 05, 2024, Valid until April 04, 2027

Makati City, Philippines
April 28, 2025

Valdes Abad & Company
(Formerly: Valdes Abad & Associates)
certified public accountants

CJV Building 108 Aguirre Street, Legaspi Village, Makati City, Philippines

Branches:
Cebu and Davao

Phone: (632) 8892-5931 to 35
(632) 8519-2105
Fax: (632) 8819-1468
Website: www.vacpa.ph
BOA/PRC Reg. No. 0314
SEC Accreditation No. 0314-SEC

INDEPENDENT AUDITOR'S REPORT TO ACCOMPANYING FINANCIAL STATEMENTS FOR FILING WITH THE BUREAU OF INTERNAL REVENUE

The Board of Directors and the Stockholders
STENIEL MANUFACTURING CORPORATION
Gateway Business Park
Brgy. Javalera, General Trias, Cavite

We have audited the financial statements of **STENIEL MANUFACTURING CORPORATION** for the year ended December 31, 2024, on which we have rendered the attached report dated April 28, 2025.

In compliance with Revenue Regulations V-20, we are stating the following:

- The taxes paid or accrued by the Company during the year are shown in the financial statement attached to annual income tax return.
- No partner of our firm is related by consanguinity or affinity to any of the principal shareholders of the Company.

VALDES ABAD & COMPANY, CPAs
BOA/PRC Reg. No. 0314
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SEC Accreditation No. 0314 - SEC, Group A
Valid for 2022 – 2026 audit periods
BIR Accreditation No. 08-002126-000-2024
Issued on April 05, 2024, Valid until April 04, 2027

For the firm:

ALFONSO L. CAY-AN
Partner
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BIR Accreditation No. 08-002126-005-2024
Issued on April 05, 2024, Valid until April 04, 2027

Makati City, Philippines
April 28, 2025

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INDEPENDENT AUDITOR'S REPORT TO ACCOMPANYING FINANCIAL STATEMENTS FOR FILING WITH THE SECURITIES AND EXCHANGE COMMISSION

The Board of Directors and the Stockholders
STENIEL MANUFACTURING CORPORATION
Gateway Business Park
Brgy. Javalera, General Trias, Cavite

We have examined the financial statements of **STENIEL MANUFACTURING CORPORATION** for the year ended December 31, 2024, on which we have rendered the attached report dated April 28, 2025.

In compliance with SRC Rule 68, we are stating that the Company has 3,554 stockholders owning one hundred (100) or more shares each as of December 31, 2024.

VALDES ABAD & COMPANY, CPAs
BOA/PRC Reg. No. 0314
Issued on July 15, 2024, Valid until July 14, 2027
SEC Accreditation No. 0314 - SEC, Group A
Valid for 2022 – 2026 audit periods
BIR Accreditation No. 08-002126-000-2024
Issued on April 05, 2024, Valid until April 04, 2027

For the firm:

ALFONSO L. CAY-AN
Partner
CPA Registration No. 99805, Valid until December 14, 2026
TIN No. 213-410-741-000
PTR No. 10479078, Issued Date: January 10, 2025, Makati City
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Makati City, Philippines
April 28, 2025

STENIEL MANUFACTURING CORPORATION

SEPARATE STATEMENTS OF FINANCIAL POSITION

(In Philippine Peso)

		December 31,	
ASSETS	**Note**	**2024**	As Restated 2023
CURRENT ASSETS			
Cash in banks	5	**5,956,569**	16,223,721
Receivables	6	**87,376**	121,963
Due from related parties	13	**9,034,410**	12,125,000
Prepaid expenses and other current assets-net	7	**13,489,629**	8,784,296
Total Current Assets		**28,567,984**	37,254,980
NON-CURRENT ASSETS			
Investment in subsidiaries	8	**457,820,296**	457,820,296
Investment in equity securities	10	**57,497,476**	60,918,323
Total Non-Current Assets		**515,317,772**	518,738,619
TOTAL ASSETS		**543,885,756**	555,993,599
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Trade payables and other current liabilities	11	**8,774,647**	8,069,659
Due to related parties	13	**146,820,220**	175,043,516
Total Current Liabilities		**155,594,867**	183,113,175
EQUITY	12		
Capital stock		**1,418,812,082**	1,418,812,082
Additional paid-in capital		**408,423,043**	408,423,043
Deficit		**(1,443,476,146)**	(1,459,926,349)
Cumulative net unrealized loss in equity instruments	10	**4,531,910**	5,571,648
Total Equity		**388,290,889**	372,880,424
TOTAL LIABILITIES AND EQUITY		**543,885,756**	555,993,599

See Notes to Separate Financial Statements

STENIEL MANUFACTURING CORPORATION

SEPARATE STATEMENTS OF COMPREHENSIVE INCOME

(In Philippine Peso)

(With Comparative Figures for the year ended December 31, 2023)

For the Years Ended December 31,	Note	2024	As Restated 2023
OTHER INCOME	14	**58,565,850**	173,535,428
OPERATING EXPENSES	15	**38,503,349**	10,301,093
INCOME BEFORE INCOME TAX		**20,062,501**	163,234,335
INCOME TAX EXPENSE	16	**6,004,340**	40,539,703
NET INCOME		**14,058,161**	122,694,632
OTHER COMPREHENSIVE INCOME	10	**1,352,305**	14,559,705
TOTAL COMPREHENSIVE INCOME		**15,410,466**	137,254,337
BASIC AND DILUTED EARNINGS PER SHARE	12	**0.00991**	0.08648

See Notes to Separate Financial Statements

STENIEL MANUFACTURING CORPORATION

SEPARATE STATEMENTS OF CHANGES IN EQUITY

(In Philippine Peso)

For the Years Ended December 31,	Note	2024	As Restated 2023
CAPITAL STOCK			
Balance at beginning and end of year	12	**1,418,812,082**	1,418,812,082
ADDITIONAL PAID-IN CAPITAL			
Balance at beginning and end of year	13	**408,423,043**	408,423,043
DEFICIT			
Balance at beginning of year		**1,459,926,349**	1,586,810,860
Transfer of fair value reserve of equity instruments designated at FVOCI	10	**2,392,042**	4,189,879
Net income for the year		**14,058,161**	122,694,632
Balance at end of year		**1,443,476,146**	1,459,926,349
CUMULATIVE NET UNREALIZED GAIN(LOSS) IN EQUITY INSTRUMENTS			
Balance at beginning of year		**5,571,648**	(3,699,760)
Change in fair value of investments in equity instruments	10	**1,352,304**	13,461,287
Transfer of fair value reserve of equity instruments designated at FVOCI	10	**(2,392,042)**	(4,189,879)
Balance at end of year		**4,531,910**	5,571,648
TOTAL EQUITY		**388,290,889**	372,880,424

See Notes to Separate Financial Statements

STENIEL MANUFACTURING CORPORATION

SEPARATE STATEMENTS OF CASHFLOWS

(In Philippine Peso)

For the Years Ended December 31,	Note	2024	As Restated 2023
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before tax		**20,062,501**	163,234,335
Adjustment for:			
Depreciation	9	**129,018**	91,415
Gain on acquisition		**-**	(65,434,547)
Gain on disposal of investment		**-**	(69,399,261)
Dividend income	10,15	**(1,895,559)**	(1,195,240)
Interest income	5,15	**(6,284)**	(5,282)
Operating income before changes in working capital		**18,289,677**	27,291,420
Decrease (increase) in:			
Receivables		**34,587**	307
Due from related parties		**3,090,590**	12,125,000
Prepayments and other assets-net		**(19,473,969)**	(2,638,624)
Increase (decrease) in:			
Trade and other payables		**(2,504,639)**	(629,202)
Cash generated from (used for) operations		**(563,754)**	36,148,901
Dividends received	10	**1,895,559**	1,195,240
Interest received	5,15	**6,284**	5,282
Net Cash from Operating Activities		**1,338,088**	37,349,423
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment in equity securities			
Additions to investments in equity instruments	10, 12	**(5,575,140)**	(55,490,132)
Proceeds from sale	10, 12	**10,348,291**	28,795,230
Propert and equipment-net			
Acquisitions		**(129,018)**	-
Net Cash from Investing Activities		**4,644,133**	(26,694,902)
CASH FLOWS FROM FINANCING ACTIVITIES			
Decrease in amounts owed to related parties		**(16,249,373)**	(62,501)
NET INCREASE (DECREASE) IN CASH		**(10,267,152)**	10,592,020
CASH, BEGINNING	5	**16,223,721**	5,631,701
CASH, END	5	**5,956,569**	16,223,721

See Notes to Separate Financial Statements

STENIEL MANUFACTURING CORPORATION

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
December 31, 2024, and 2023

NOTE 1 – GENERAL INFORMATION

Steniel Manufacturing Corporation. (STN or the "Company") was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on September 13, 1963 primarily to engage in the manufacturing, processing, and selling of all kinds of paper products, paper board and corrugated carton containers, and all other allied products and processes. The Company's shares of stocks are listed for trading at the Philippine Stock Exchange Inc. (PSE). Its secondary purpose includes to do and perform all acts and things necessary, including the exercise of powers, authorities and attributes conferred upon corporations organized under the laws of the Republic of the Philippines in general and upon domestic corporations of like in particular.

On September 11, 2013, the SEC approved the Amended Articles of Incorporation (AOI) of the Company, extending the corporate life for another 50 years from September 13, 2013. Pursuant to the Revised Corporation Code of the Philippines, which took effect in February 2019, the Company shall have a perpetual existence because the Company did not elect to retain its specific corporate term under its AOI.

Following a decision made by the Board of Directors (BOD) in 1996 to reorganize the Company and its subsidiaries, the Company ceased manufacturing operations in June 1997 due to continuing business losses. As a result, reorganization of the Company was carried out and completed with the Company's principal activity now limited to holding of investments.

The ultimate parent of the Company is Steniel (Netherlands) Holdings B.V. (SNHBV), incorporated in Amsterdam and the registered owner of 82.2715% of the shares of the Parent Company prior to restructuring of the loan in 2019. The remaining 17.7284% of the shares are widely held.

Consequent to the restructuring of the loan in 2010, remaining unissued capital stock of the Company totaling 123,818,000 shares were issued to Roxburgh Investment Limited (Roxburgh) to reduce the Company's outstanding debts (Notes 12 and 13). The issuance of shares resulted to recognition of additional paid-in capital. As a result, Roxburgh owns 12.3818% of the Company, while the ownership of SNHBV as well as the public have been reduced to 72.0849% and 15.5333%, respectively.

On January 18, 2012, the shareholders of SNHBV entered into a Share Purchase Agreement with Right Total Investments Limited (Right Total, a limited liability company incorporated in the British Virgin Islands as an investment company), to purchase up to 100% of the issued and outstanding shares of SNHBV. With the sale of shares of SNHBV, Right Total became the owner of the 72.0849% shares of SNHBV consequently making Right Total as the ultimate parent company.

On January 25, 2012, the Company received a tender offer report from SNHBV to purchase the 279,151,088 shares of minority investing public or 27.92% of the total issued shares at a price of ₱0.0012 per share or an aggregate price of ₱334.9 million. On February 25, 2012, only a total of 2,115,692 common shares were tendered in the Tender Offer and accepted by SNHBV, constituting 0.0021% of the total outstanding capital stock of the Company. On March 8, 2012, payment for the Tendered Shares was delivered to the relevant broker participants on behalf of interested parties and there was a transfer to SNHBV of only 0.76% of the minority shares. Such accepted tender offer did not significantly change the percentage ownership of the minority investing public.

On October 7, 2020, Greenkraft Corporation (Greenkraft), Golden Bales Corporation (Goldenbales), Corbox Corporation (Corbox), Rex Chua and Clement Chua, as purchasers (collectively, the Buyers) entered into a Share Purchase Agreement with SNHBV as seller to acquire 649,908,308 common shares of the Company, for a consideration of ₱64.99 million or ₱0.10 per share, broken down as follows:

Buyer	No. of shares	Percentage of Ownership
Greenkraft Corporation	216,679,430	21.67%
Corbox Corporation	194,972,492	19.50%
Goldenbales Corporation	194,972,492	19.50%
Clement Chua	21,641,947	2.16%
Rex Chua	21,641,947	2.16%
	649,908,308	64.99%

The tender offer commenced on October 12, 2020 and ended on November 10, 2020 (Tender Offer Period). A total of 11,780,533 common shares of Steniel were tendered during the Tender Offer Period, which comprise approximately 1.18% of the total issued and outstanding shares of the Corporation. SNHBV owns 5% ownership with the Company after registration of the sale and tender offer. As at December 31, 2022 and 2021, STN is the ultimate parent company following the completion of the Tender Offer.

The Company's registered address and principal office is located at Gateway Business Park, Brgy. Javalera, General Trias, Cavite.

<u>1.1 Debt restructuring</u>

Due to the working capital drain experienced by the Company as a result of prior debt service payments and the difficult business and economic conditions during the period, the Company found it difficult to sustain further payments of debt while at the same time ensuring continued operations. The Company failed to settle its outstanding short-term and long-term loans which were supposed to mature at various dates in 2004, 2005 and 2006 and was declared by the lending banks in default on May 25, 2006. Subsequently until 2009, the lending banks assigned and sold their respective outstanding loan balances to various third parties. On October 14, 2010, one of the new lenders, Greenkraft Corporation (Greenkraft) further assigned some of its loan receivables to Roxburgh.

After the assignment and sale of loans from the lending banks to third parties, discussions were made with new creditors/lenders to restructure the outstanding loans covered by the Omnibus Agreement which the Company has defaulted in 2006. On October 15, 2010, the Company and the current creditors/lenders signed the Amended and Restated Omnibus Agreement (Amended Agreement). The restructuring of the loan finally resolved the default situation. The essential elements of the Amended Agreement are summarized below:

- The outstanding principal and accrued interest expense as at September 30, 2010 was restructured for 25 years.
- Conditional waiver of penalty and other charges upon the faithful performance by the Company of the terms of restructuring.
- The outstanding principal and accrued interest expense as of September 30, 2010 shall be reduced via *dacion en pago* or sale of the following properties:
    a) all of the outstanding common and preferred shares of stock in the Company's land-holding entity, Steniel Land Corporation (SLC),
    b) identified idle assets of STN and its subsidiaries, and
    c) by way of conversion into equity through the issuance of the Company's unissued capital stock.
- The outstanding principal amount after the dacion en pago or sale of properties shall be paid in 92 consecutive quarterly installments starting in January 2013.

- The outstanding portion of the accrued interest after equity conversion shall be paid in 40 consecutive quarterly installments starting after year 15 from the date restructuring.
- Restructured outstanding principal will be subject to interest of 6% per annum for 15 years and 8% per annum on the 16th year onwards.
- The restructured accrued interest expense prior to loan restructuring will be subject to interest 8% per annum.
- The restructured loan shall be secured by the assets/collateral pool under the Collateral Trust Agreement.
- All taxes and fees, including documentary stamp taxes and registration fees, shall be for the account of the Company.
- All other costs and expenses of restructuring including documentation costs, legal fees and out-of-pocket expenses shall be of the account of Company; and
- Other conditions include:
  a) Lenders' representative to be elected as director in STN and in each of its subsidiaries.
  b) A merger, reorganization or dissolution of certain subsidiaries in line with the Business Plan.
  c) No dividend declaration or payments until the restructured obligations are fully paid.
  d) No new borrowing, unless with consent of the lenders.
  e) No repayment or prepayment of any debt or obligation (other than operational expenses), unless with consent of the lenders.
  f) Creditor's consent for change in material ownership in the Company and mortgagors.
  g) Standard covenants, representations and warranties.

1.2 Dacion en pago and equity conversion

The dacion en pago relating to the Company's idle machineries and spare parts and the equity conversion through the issuance of the Company's capital stock have been completed as at December 31, 2010. The dacion en pago transaction reduced the outstanding loan principal amount by ₱122 million while the equity conversion reduced outstanding accrued interest by ₱248 million.

The dacion en pago relating to the Company's shares in SLC and a subsidiary's land and land improvements and building and building improvements has a total value of ₱290.00 million. In 2012, certain certificates authorizing registration were issued and reduced the total value from P290.00 million to ₱289.88 million. The remaining assignment of shares is still for finalization with buyers to meet the regulatory requirements on transfer of assets as at reporting date and this is expected to be completed in 2022 after the issuance of Certificate Authorizing Registration (CAR) by the BIR. The change in ownership and management in early 2012 and the issuance of CAR generally caused the delay in the implementation of the dacion en pago.

Treasure Packaging Corporation (TPC) and Steniel Cavite Packaging Corporation (SCPC)'s investment in shares of stock with SLC amounting to P0.64 million was assigned to Greenkraft as part of the dacion en pago arrangements resulting to a reduction of the borrowing balance. In 2014, the land and land improvements and building and building improvements of a subsidiary (SCPC) were transferred to the creditors/lenders.

In July 2019, the BOD and Stockholders of the Company approved the conversion of loans into common shares of the Company. Consequently, principal payments on long-term debt was suspended beginning July 2019. On December 29, 2020, the Company issued shares to the lenders effecting the debt-to-equity conversion following the SEC approval of the Company's increase in authorized capital stock on the same day (Notes 12 and 13). The outstanding balance of the borrowings were reduced by ₱149.56 million as a result of the debt-to-equity conversion.

In September 2023, the dacion en pago was completed relating to the Company's shares in SLC and the balance of borrowing was fully settled. The Company acquired shares in SLC from SCPC with a cost of ₱72.705 million for ₱7.271 million resulting to a gain on acquisition amounting to ₱65.435 million. Consequently, the Company assigned the shares in SLC to Greenkraft as payment to its remaining balance of borrowings to Greenkraft amounting to P190 million resulting to a gain on disposal amounting to ₱69.399 million (Note 16). As of December 31, 2023, the Company has fully-settled its borrowings to Greenkraft.

1.3 Restructuring of subsidiaries

In 2011, following the provisions in the Amended Agreement, the Company filed a merger application with the SEC to absorb TPC. On August 12, 2013, following management's assessment, the Board of STN and TPC approved the withdrawal of the merger application filed with SEC as the same no longer appears feasible. Management has been instructed to explore other options, (i.e., merger of or with other subsidiaries).

In addition, SCPC, a subsidiary, submitted a merger application with SEC in October 2011 to absorb three (3) dormant subsidiaries: (a) Metroplas Packaging Products Corporation (MPPC), (b) Metro Paper and Packaging Products, Inc. (MPPPI) and (c) Steniel Carton System Corporation (SCSC) using June 30, 2011 financial statements. On March 2, 2012, the SEC approved the certificate of filing of the articles and plan of merger, which documents were received by SCPC on July 31, 2012. All financial information presented for the periods prior to the merger has been restated to reflect the combined financial statements of the absorbed corporation as though the merger had occurred at the beginning of 2010.

The Company also had a 39.71% direct and indirect (through SCPC & TPC) interest in SLC. In 2010, all of the ownership interest of TPC and STN were assigned to Greenkraft (Note 8), and the remaining interest of SCPC in SLC is 29.21%.

In September 2023, the dacion en pago was completed relating to the Group’s shares in SLC. The Group assigned its 727,050 preferred shares in SLC to Greenkraft to fully settle its remaining balance of borrowings to Greenkraft amounting to ₱190 million. As at December 31, 2024 and 2023, Greenkraft holds 100% interest in SLC.

1.4 Interest payments

On December 2, 2011, the current creditors/lenders agreed to waive the payment of interest for the first two (2) years of the loan commencing on the restructuring date, to correspond to the principal repayment as stated in the Amended Agreement. Hence, interest payments shall be made in accordance with the Amended Agreement but shall commence on the 27th month after the restructuring date, inclusive of a two (2) year grace period. In relation to this, on March 1, 2012, the accrued interest which was capitalized as part of the loan principal in 2010 in accordance with the Amended Agreement, was also condoned by its major creditors effective December 31, 2011.

In 2013, due to continuous working capital drain experienced by the Company as a result of difficult economic and business conditions, the Company requested reconsideration to defer the implementation of the loan agreement from the creditors which was acted favorably. The Company was granted another two (2) years extension of principal repayment, reduction of interest rate from 6% to 2% for the first five (5) years and further waived interest charges annually until January 1, 2019. Consequent to the BOD approval of the conversion of debt to common shares of the Company in 2019, the principal repayment was suspended beginning July 2019 and the interest on the remaining principal balance was waived.

1.5 Status of operations

The Company has temporarily ceased its principal operations and has incurred recurring losses in prior years resulting to a deficit of ₱1.46 billion and ₱1.42 billion as at December 31, 2024 and 2023, respectively. These conditions, among others, indicate the existence of material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

To address such going concern matter, the management has taken the following measures:

On July 17, 2019, the BOD and Stockholders of the Company approved the acquisition of shares of SMPC through a share swap transaction and the conversion of loans from Greenkraft Corporation and Roxburgh Investments Limited into common shares in the Company. To accommodate the transactions discussed above, the BOD and Stockholders approved the amendment of the Articles of Incorporation to increase the authorized capital stock from ₱1 billion, divided into one billion common shares to ₱2 billion, divided into two billion common shares with par value of ₱1 per share (Notes 12 and 13).

On December 29, 2020, upon the SEC's approval of the Company's increase in authorized capital stock, the Company issued shares to the lenders effecting the debt-to-equity conversion thereby reducing the outstanding balance of the borrowings by ₱149.56 million. Further, the Company also issued shares to the shareholders of SMPC effecting the share swap transaction. The realization of these transactions resolved the capital deficiency position of the Company as at December 31, 2020.

Based on the foregoing, the separate financial statements have been prepared on a going concern basis, which assumes that the Company will continue in existence.

NOTE 2 – BASIS OF PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

2.1 Statement of Compliance

The separate financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS which is issued by the Financial and Sustainability Reporting Standards Council (FSRSC) are based on International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). PFRS consist of PFRS, Philippine Accounting Standards (PAS), and Philippine Interpretations.

Approval of separate financial statements
The separate financial statements as at and for the year ended December 31, 2024 and 2023 were approved and authorized for issuance by the BOD on April 28, 2025.

2.2 Basis of Measurement

The separate financial statements of the Company have been prepared on a historical cost basis of accounting except for investment in equity securities which are carried at fair value.

2.3 Functional and Presentation Currency

The separate financial statements are presented in Philippine peso, which is also the Company's functional currency. All financial information expressed in Philippine peso, except when otherwise indicated.

2.4 Going concern assumption

The preparation of the accompanying financial statements of the Company is based on the premise that the Company operates on a going concern basis, which contemplate the realization of assets and settlement of liabilities in the normal course of business. The management does not intend to liquidate.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in the separate financial statements.

3.1 Adoption of new and revised accounting standards

The accounting policies adopted in the preparation of the Company's separate financial statements are consistent with those of the previous financial year except for the adoption of the following new and amended standards and interpretations. The adoption of these new and amended standards and interpretations did not have significant impact on the Company's separate financial statements unless otherwise stated.

Effective beginning on or after January 1, 2024

Amendment to PFRS 16 – Leases on sale and leaseback. These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.

Amendment to PAS 1 – Non-current liabilities with covenants. These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.

Amendment to PAS 7 and PFRS 7 - Supplier finance. These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.

The amendments do not have material impact on the separate financial statements.

Standards and Interpretations Issued but not yet Effective

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

Effective beginning on or after January 1, 2025

Amendments to PAS 21 - Lack of Exchangeability. An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations.

Effective beginning on or after January 1, 2026

- Amendments to PFRS 9 and PFRS 7, *Classification and Measurement of Financial Instruments*
- Annual Improvements to PFRS Accounting Standards - Volume 11
  - Amendments to PAS 7, *Cost Method*
  - Amendments to PFRS 1, *Hedge Accounting by a First-time Adopter*
  - Amendments to PFRS 7, *Gain or Loss on Derecognition*
  - Amendments to PFRS 9, *Lessee Derecognition of Lease Liabilities and Transaction Price*
  - Amendments to PFRS 10, *Determination of a "De Facto Agent"*

The Company is currently assessing the impact of adopting these standards on its separate financial statements.

Effective beginning on or after January 1, 2027

PFRS 18, Presentation and Disclosure in Financial Statements
The new standard impacts the classification of profit or loss items (i.e. into operating, investing, and financing categories) and the presentation of subtotals in the statement of profit or loss (i.e. operating profit, and profit before financing and income taxes). The new standard also changes the aggregation and disaggregation of information presented in the primary separate financial statements and in the notes. It also introduces required disclosures about management-defined performance measures.

The Company is currently assessing the impact of adopting this standard on its separate financial statements.

PFRS 19, Subsidiaries without Public Accountability

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

On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2026 of the said amendments until the IASB completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

The revised, amended, and additional disclosures or accounting changes provided by the standards and interpretations will be included in the separate financial statements in the year of adoption, if applicable.

3.2 Current versus noncurrent classification

The Company presents assets and liabilities in the separate statements of financial position based on current and noncurrent classification. An asset is current when it is: (a) expected to be realized or intended to be sold or consumed in the normal operating cycle; (b) held primarily for the purpose of trading; (c) expected to be realized within 12 months after the reporting period; or (d) cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

A liability is current when: (a) it is expected to be settled in the normal operating cycle; (b) it is held primarily for trading; (c) it is due to be settled within 12 months after the reporting period; or (d) there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The Company classifies all other assets and liabilities as noncurrent. Deferred tax assets and liabilities are classified as noncurrent.

3.3 Financial instruments

Recognition and Initial Measurement. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

The Company recognizes a financial asset or a financial liability in the separate statements of financial position when it becomes a party to the contractual provisions of the instrument.

A financial asset (unless a receivable without significant financing component) or financial liability is initially measured at the fair value of the consideration given or received. The initial measurement of financial instruments, except for those designated as at fair value through profit or loss (FVPL), includes transaction costs. A receivable without a significant financing component is initially measured at the transaction price.

3.4 Financial assets

The Company classifies its financial assets, at initial recognition and subsequently measured at amortized cost, fair value through other comprehensive income (FVOCI) and FVPL. The classification depends on the contractual cash flow characteristics of the financial assets and the business model of the Company for managing the financial assets.

Subsequent to initial recognition, financial assets are not reclassified unless the Company changes the business model for managing financial assets. All affected financial assets are reclassified on the first day of the reporting period following the change in the business model.

The business model refers to how the Company manages the financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

The Company considers the following information in assessing the objective of the business model in which a financial asset is held at a portfolio level, which reflects the way the business is managed and information is provided to management:

- The stated policies and objectives for the portfolio and the operation of those policies in practice;
- How the performance of the portfolio is evaluated and reported to the Company's management;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- How employees of the business are compensated; and
- The frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

The Company considers the contractual terms of the instrument in assessing whether the contractual cash flows are solely payments of principal and interest. For purposes of this assessment, "Principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin. The assessment includes whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. The Company considers the following in making the assessment:

- Contingent events that would change the amount or timing of cash flows;
- Terms that may adjust the contractual coupon rate, including variable rate features;
- Prepayment and extension features; and
- Terms that limit the Company's claim to cash flows from specified assets.

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

For purposes of subsequent measurement, financial assets are classified in the following categories: financial assets at amortized cost, financial assets at FVOCI (with or without recycling of cumulative gains and losses) and financial assets at FVPL.

Financial Assets at Amortized Cost. A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVPL:

- it is held within a business model with the objective of holding financial assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in profit or loss when the financial asset is derecognized, modified or impaired.

The Company's cash in banks, receivables, and due from related parties are included under this category.

Cash in banks are stated at face value.

Financial Assets at FVOCI. Investment in debt instruments is measured at FVOCI if it meets both of the following conditions and is not designated as at FVPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

At initial recognition of an investment in equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the fair value in other comprehensive income. This election is made on an instrument-by- instrument basis.

Financial assets at FVOCI are subsequently measured at fair value. Changes in fair value are recognized in other comprehensive income.

Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment on investment in debt instruments are recognized in profit or loss. When investment in debt instruments at FVOCI is derecognized, the related accumulated gains or losses previously reported in the separate statements of changes in equity are transferred to and recognized in profit or loss.

Dividends earned on holding an investment in equity instrument are recognized as dividend income in profit or loss when the right to receive the payment has been established, unless the dividend clearly represents a recovery of the part of the cost of the investment. When investment in equity instruments at FVOCI is derecognized, the related accumulated gains or losses previously reported in the separate statements of changes in equity are never reclassified to profit or loss.

The Company's investments in equity instruments are classified under this category.

3.5 Financial liabilities

The Company classifies its financial liabilities, at initial recognition, in the following categories: financial liabilities at FVPL and other financial liabilities. The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

As at December 31, 2024 and 2023, the Company has no financial liabilities at FVPL.

Other Financial Liabilities. This category pertains to financial liabilities that are not designated or classified as at FVPL. After initial measurement, other financial liabilities are carried at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any premium or discount and any directly attributable transaction costs that are considered an integral part of the effective interest rate of the liability. The effective interest rate amortization is included in "Interest expense" account in the separate statements of comprehensive income. Gains and losses are recognized in the separate statements of comprehensive income when the liabilities are derecognized as well as through the amortization process.

Debt issue costs are considered as an adjustment to the effective yield of the related debt and are deferred and amortized using the effective interest method. When a loan is paid, the related unamortized debt issue costs at the date of repayment are recognized in the separate statements of comprehensive income.

The Company's trade payables and other current liabilities, due to related parties and borrowings are included under this category.

3.6 Derecognition of financial assets and financial liabilities

Financial Assets. A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is primarily derecognized when:

- the rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; and either: (a) has transferred substantially all the risks and rewards of the asset; or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognizes the associated liability. The transferred asset and the associated liability are measured on the basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company is required to repay.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the separate statements of comprehensive income.

3.7 Impairment of financial assets

The Company recognizes allowance for expected credit loss (ECL) on financial assets at amortized cost. ECLs are probability-weighted estimates of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive), discounted at the effective interest rate of the financial asset, and reflects reasonable and supportable information that is available without undue cost or effort about past events, current conditions and forecasts of future economic conditions.

The Company recognizes an allowance for impairment based on either 12-month or lifetime ECLs, depending on whether there has been a significant increase in credit risk since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company recognizes lifetime ECLs for receivables that do not contain significant financing component. The Company uses provision matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the borrowers and the economic environment.

At each reporting date, the Company assesses whether these financial assets at amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;
(b) a breach of contract, such as a default or past due event;
(c) the restructuring of financial asset by the Company on terms that the Company would not consider otherwise;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
(e) the disappearance of an active market for that financial asset because of financial difficulties.

The Company considers a financial asset to be in default when a counterparty fails to pay its contractual obligations, or there is a breach of other contractual terms, such as covenants.

The Company directly reduces the gross carrying amount of a financial asset when there is no reasonable expectation of recovering the contractual cash flows on a financial asset, either partially or in full. This is generally the case when the Company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

The ECLs on financial assets at amortized cost are recognized as allowance for impairment losses against the gross carrying amount of the financial asset, with the resulting impairment losses (or reversals) recognized in the separate statements of comprehensive income. The ECLs on investments in debt instruments at FVOCI are recognized as accumulated impairment losses, with the resulting impairment losses (or reversals) recognized in the separate statements of comprehensive income.

3.8 Classification of financial instruments between liability and equity

Financial instruments are classified as liability or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

A financial instrument is classified as liability if it provides for a contractual obligation to:

- Deliver cash or another financial asset to another entity;
- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company; or
- Satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Company does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole or in part, the amount separately determined as the fair value of the liability component on the date of issue.

3.9 Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the separate statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

3.10 Prepaid expenses and other current assets

This account comprises prepayments and prepaid items such as prepaid taxes and advances to suppliers. Prepayments are expenses paid in advance and recorded as assets before they are utilized. Prepayments that are expected to be realized for no more than 12 months after the reporting period are classified as current assets; otherwise these are classified as other noncurrent asset.

Prepaid tax to the amount withheld by suppliers which can be applied against income tax due. It is carried at face value less allowance for unrecoverable tax credits. The Company maintains an allowance for the amount which can no longer be claimed or applied against income tax due.

3.11 Property and equipment

Property and equipment are recorded at cost less accumulated depreciation, and impairment losses, if any. The initial cost of property and equipment consists of its purchase, including import duties taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance costs are charged to profit or loss during the period in which these are incurred.
Major renovations are depreciated over the remaining useful life of the related asset or to the date of the next major renovation, whichever is sooner.

Depreciation, which commences when the assets are available for their intended use, is calculated using the straight-line method over its estimated useful life as follows:

Machinery and equipment	3 to 10 years
Computer equipment	1 to 5 years

The asset's residual values, estimated useful lives and depreciation method are reviewed periodically, and adjusted if appropriate, at each reporting date to ensure that method and period of depreciation and are consistent with the expected pattern of economic benefits from items of property and equipment.

The carrying amounts of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable.

Fully depreciated assets are retained in the accounts until they are no longer in use.

An item of property, and equipment is derecognized when either it has been disposed of or when it is permanently withdrawn from use and no future economic benefits are expected from its use or disposal. Any gain or loss arising from the retirement and disposal of an item of property, and equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in the separate statements of comprehensive income in the period of retirement and disposal.

3.12 Investments in subsidiaries

The Company's investments in shares of stock of subsidiaries are accounted for under the cost method as provided for under PAS 27, Consolidated and Separate Financial Statements. The investments are carried in the separate statements of financial position at cost less any impairment in value. The Company recognizes dividend from a subsidiary in the separate statements of comprehensive income when its right to receive the dividend is established.

A subsidiary is an entity controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

3.13 Impairment of non-financial assets

The carrying amounts of prepaid expenses and other current assets, property and equipment and investment in subsidiaries, are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists, and if the carrying amount exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amounts.

The recoverable amount of the asset is the greater of fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. After such reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

3.14 Fair value measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either: (a) in the principal market for the asset or liability; (b) in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or most advantageous market must be accessible to the Company.

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the separate financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: Inputs for the asset or liability that are not based on observable market data.

For assets and liabilities that are recognized in the separate financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization at the end of each reporting period.

For the purposes of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.

3.15 Employee benefits

Short-term Employee Benefits
Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Retirement Benefits
Republic Act (A) 7641 "Philippine Retirement Law" requires the Company to pay a minimum retirement benefit to employees who retire after reaching the mandatory age of 65 years old or optional retirement age of 60 years old with at least five (5) years of service to the Company.

Management determined that the present value of the obligation arising from RA 7641 is not material to the separate financial statements.

3.16 Capital stock

Capital stock consists of common shares and is classified as equity. Incremental costs directly attributable to the issuance of common shares are recognized as a deduction from equity, net of any tax effects.

3.17 Additional paid-in capital

Additional paid-in capital represents the excess of consideration received over the par value of capital stock.

3.18 Retained earnings (Deficit)

Retained earnings (deficit) represent the accumulated net income or losses, net of any dividend distributions and other capital adjustments.

3.19 Revenue recognition

The Company recognizes revenue from contract with customers when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for these goods or services, excluding amounts collected on behalf of third parties.

The following specific recognition criteria must also be met before revenue is recognized:

Dividend Income
Dividend income is recognized when the right to receive the payment is established.

Interest Income
Interest income is recognized as the interest accrues, taking into account the effective yield on the asset.

Other Income
Other income, management fee is recognized when earned.

3.20 Cost and expenses

Costs and expenses are decreases in economic benefits during the reporting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants. Expenses are recognized when incurred.

3.21 Borrowing costs

Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur.

3.22 Income taxes

Income tax expense for the year is composed of current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income, in which case it is recognized in equity or other comprehensive income. The Company periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretations and establishes provisions where appropriate.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the liability method in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- with respect to taxable temporary differences associated with investments in shares of stock of subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits - Minimum Corporate Income Tax (MCIT) and unused tax losses - Net Operating Loss Carry Over (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward benefits of MCIT and NOLCO can be utilized, except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- with respect to deductible temporary differences associated with investments in shares of stock of subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced 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 asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recover.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Value-added Tax (VAT). Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of tax included.

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of "Prepaid expenses and other current assets" or "Trade payables and other current liabilities accounts" in the separate statements of financial position.

3.23 Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control and significant influence. Related parties may be individuals or corporate entities.

3.24 Provisions

Provisions are recognized when: (a) the Company has a present obligation (legal or constructive) as a result of past events; (b) it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate of the amount of the obligation can be made. Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognized as a separate asset only when it is virtually certain that reimbursement will be received. The amount recognized for the reimbursement shall not exceed the amount of the provision. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

3.25 Contingencies

Contingent liabilities are not recognized in the separate financial statements but are disclosed in the notes to the separate financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the separate financial statements but are disclosed in the notes to the separate financial statements when an inflow of economic benefits is probable.

3.26 Events after the reporting date

Post year-end events that provide additional information about the Company's position at the reporting date (adjusting events) are recognized in the separate financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the separate financial statements when material.

NOTE 4 – SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the separate financial statements in accordance with PFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, income and expenses reported in the separate financial statements at the reporting date. However, uncertainty about these judgments, estimates and assumptions could result in an outcome that could require a material adjustment to the carrying amount of the affected asset or liability in the future. 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. Revisions are recognized in the period in which the judgments and estimates are revised and in any future period affected.

4.1 Judgments

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

*Classification of Financial Instruments***.** The Company exercises judgments in classifying financial instrument, or its component parts, on initial recognition as *a* financial asset, a financial liability, or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, *a* financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the separate statements of financial position.

The Company uses its judgment in determining the classification of financial assets based on its business model in which assets are managed and their cash flow characteristics. The classification and fair values of financial assets and financial liabilities are presented in Note 18.

Business Model. The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to the management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future salary activity.

Cash Flow Characteristics - Payments of Principal and Interest. For the purposes of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basis lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.
In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of the contractual cash flows such that it would not meet these conditions. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

The Company determines that the business model for financial assets at amortized cost is held to collect contractual cash flows and meets the solely principal and interest criterion as at December 31, 2024 and 2023.

*Measurement of Fair Values***.** A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Company uses market observable data when measuring the fair value of an asset or liability. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques (Note 3).

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy based on the lowest level input that is significant to the entire measurement.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

The fair values of the Company's financial instruments are disclosed in Note 18.

4.2 Estimates and Assumptions

The key estimates and assumptions used in the separate financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the separate financial statements. Actual results could differ from such estimates.

Measurement of ECL on Financial Assets at Amortized Cost
ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Loss allowances for financial assets measured at amortized cost increase recorded operating expenses and decrease current assets.

The Company has assessed that the ECL on financial assets at amortized cost is not material because the transactions with respect to these financial assets were entered into by the Company only with reputable banks and companies with good credit standing and relatively low risk of defaults. Accordingly, no allowance for impairment losses on financial assets at amortized cost was recognized in 2024 and 2023.

The carrying amounts of other financial assets wat amortized cost are as follows:

	Note	2024	2023
Cash in banks	5	₱ **5,956,569**	₱ 16,223,721
Receivables - net	6	**87,376**	121,963
Due from related parties	13	**9,034,410**	12,125,000
Total		₱ **15,078,355**	₱ 28,470,684

Estimation of useful lives of property and equipment
The Company estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment 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.

In addition, estimation of the useful lives of property and equipment is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future financial performance could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of property and equipment would increase recorded costs and expenses and decrease noncurrent assets.

The carrying amount of the Company's property and equipment amounted to nil for both years. (Note 9)

Impairment of nonfinancial assets
PFRS requires that an impairment review be performed on prepaid expenses and other current assets, property and equipment and investment in subsidiaries when events or changes in circumstances indicate that the carrying amount may not be recoverable. Determining the recoverable amounts of these assets requires the estimation of

cash flows expected to be generated from the continued use and ultimate disposition of such assets. While it is believed that the assumptions used in the estimation of fair values reflected in the separate financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable amounts and any resulting impairment loss could have a material adverse impact on the financial performance.

Based on the assessment of the Company, certain nonfinancial assets are to be provided with allowance for impairment.

Allowance for impairment losses on advances to suppliers amounted to ₱1,842,500 as at December 31, 2024 and 2023 (Note 7).

Allowance for impairment on investment in subsidiaries amounted to ₱1,559,429,705 as at December 31, 2024 and 2023, respectively (Note 8).

No impairment loss was recognized on property and equipment as at December 31, 2024 and 2023 (Note 9).

Estimation of realizability of deferred tax assets
The Company reviews its deferred tax assets at 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. The Company's assessment on the recognition of deferred tax assets on deductible temporary differences and carry forward benefits of NOLCO is based on the projected taxable income in the following periods.

Deferred tax assets have not been recognized as at December 31, 2024 and 2023 because management believes that it is not probable that future taxable profit will be available against which the deferred tax assets may be utilized (Note 16).

Provisions and contingencies
The Company, in the ordinary course of business, sets up appropriate provisions for its present legal or constructive obligations, if any, in accordance with its policies on provisions and contingencies. In recognizing and measuring provisions, management takes risk and uncertainties into account.

The Company has not recognized any provision in 2024 and 2023.

NOTE 5 – CASH IN BANKS

This account consists of cash in banks amounting to ₱5,956,569 and ₱16,223,721, as at December 31, 2024 and 2023, respectively. Cash in banks earn annual interest at the respective bank deposit rates.

Interest income from cash in banks amounted to ₱6,284 and ₱5,282 in 2024 and 2023, respectively (Note 15).

NOTE 6 – RECEIVABLES

This account consists of advances to employees amounting to ₱87,376 and ₱121,963 as at December 31, 2024 and 2023 (Notes 13). No allowance has been recognized during the year.

NOTE 7 – PREPAID EXPENSES AND OTHER CURRENT ASSETS-NET

As of December 31, the account consists of:

Particulars		2024		2023
Prepaid tax	₱	**13,469,629**	₱	8,764,296
Advances to suppliers		**1,862,500**		1,862,500
Allowance for impairment loss		**(1,842,500)**		(1,842,500)
Total	₱	**13,489,629**	₱	8,784,296

The remaining balance on prepaid taxes of ₱13.469 million and ₱8.764 million as at December 31, 2024 and 2023, respectively, is not considered impaired as this relates to excess tax payments or creditable withholding taxes which have no prescription period and the balances are being carried forward annually in the tax returns

NOTE 8 – INVESTMENT IN SUBSIDIARIES

This account consists of:

Entity		2024		2023
SCPC:				
Cost	₱	**1,748,000,000**	₱	1,748,000,000
Allowance for impairment		**(1,559,429,704)**		(1,559,429,704)
SCPC		**188,570,296**		188,570,296
SMPC		**269,250,000**		269,250,000
Total	₱	**457,820,296**	₱	457,820,296

As of December 31, 2024 and 2023, both SCPC and SMPC are 100% owned by the Company.

8.1 SCPC and TPC

In 2006, the business operations of SCPC gradually slowed down. The temporary cessation of plant operations was approved by SCPC's BOD on March 27, 2007 in view of the continued losses incurred since its incorporation in addition to difficult economic and business conditions. Its operations are now limited to leasing its existing assets to a related party.

In 2008, TPC temporarily ceased its operations due to continuous losses incurred.

In 2016, the merger between SCPC and TPC (the former as the surviving entity) was approved by the BOD and Shareholders of the respective entities. The application for merger was filed with the SEC on April 10, 2017 and was approved on May 30, 2018.

As at December 31,2019, the related investment cost for SCPC has been fully provided with allowance for impairment losses. In 2020, the Company has reversed allowance for impairment on investment in SCPC amounting to ₱188,570,000 following management review of SCPC's financial position (Note 16).

8.2 SMPC

As at December 31, 2012, SMPC was a wholly-owned subsidiary of the Company. On December 27, 2013, the BOD of the Company approved the sale of its 99.99% ownership or 9,249,995 common shares in SMPC to various entities and individuals for a total consideration of ₱20,000,000. The sale resulted to a loss of ₱107,660,000 which further increased the deficit.

On July 17, 2019, the BOD and Stockholders approved the acquisition of shares of SMPC through a share swap transaction wherein all shareholders of SMPC will exchange all their shares in SMPC for shares of the Company. On December 29, 2020, the Company issued 269,250,000 shares to the shareholders of SMPC effecting the share swap transaction following the SEC approval of the Company's increase in authorized capital stock on the same day (Note 12).

As at December 31, 2024, and 2023, SMPC is a wholly-owned subsidiary of the Company.

NOTE 9 – PROPERTY AND EQUIPMENT - NET

As of December 31, 2024, the movement and balances of this account are as follows:

Particulars		Beginning Balances		Additions/ Provisions		Disposals/ Adjustments		**Ending Balances**
Cost:								
Machinery and equipment	₱	19,278,742	₱	-	₱	-	₱	**19,278,742**
Office equipment		-		129,018		-		**129,018**
Total	₱	19,278,742	₱	129,018	₱	-	₱	**19,407,760**
Accumulated depreciation:								
Machinery and equipment	₱	19,278,742	₱	-	₱	-	₱	**19,278,742**
Office equipment		-		129,018		-		**129,018**
Total	₱	19,278,742	₱	129,018	₱	-	₱	**19,407,760**
Net Book Value	₱	-					₱	**-**

Certain fully depreciated property and equipment are still being used by the Company for administrative purposes.

As of December 31, 2023, the movement and balances of this account are as follows:

Particulars		Beginning Balances		Additions/ Provisions		Disposals/ Adjustments		Ending Balances
Cost:								
Machinery and equipment	₱	19,278,742	₱	-	₱	-	₱	19,278,742
Office equipment		-		-		-		-
Total	₱	19,278,742	₱	-	₱	-	₱	19,278,742
Accumulated depreciation:								
Machinery and equipment	₱	19,187,327	₱	91,415	₱	-	₱	19,278,742
Office equipment		-		-		-		-
Total	₱	19,187,327	₱	91,415	₱	-	₱	19,278,742
Net Book Value	₱	-					₱	-

NOTE 10 – INVESTMENTS IN EQUITY INSTRUMENTS

This account consists of investments in shares of stock of golf and country club memberships and publicly-listed utility companies in which the Company does not intend to dispose in the short-term and were designated as financial assets at FVOCI in 2024 and 2023.

These investments were measured at fair value based on quoted prices as at December 31 as follows:

Particulars		2024		2023
Cost				
Balance at beginning of year	₱	**55,346,675**	₱	24,461,894
Purchases		**5,575,140**		55,490,132
Disposal		**(7,956,249)**		(24,605,351)
Balance at the end of year		**52,965,566**		55,346,675
Changes in Fair Value				
Balance at beginning of year		**5,571,648**		(3,699,760)
Changes in fair value		**1,352,305**		13,461,287
Transfer of fair value reserve within equity		**(2,392,043)**		(4,189,879)
Balance at end of year		**4,531,910**		5,571,648
Total	₱	**57,497,476**	₱	60,918,323

Dividend income recognized amounted to ₱1.896 million and ₱1.195 million in 2024 and 2023, respectively (Note 15).

NOTE 11 – TRADE PAYABLES AND OTHER CURRENT LIABILITIES

This account consists of:

Particulars		2024		2023
Trade payables	₱	**1,881,460**	₱	1,736,460
Nontrade payables		**1,885,708**		2,941,932
Payable to government agencies		**5,007,478**		3,391,267
Total	₱	**8,774,646**	₱	8,070,659

Trade payables mainly pertain to liability that arose from the purchase of investments in equity instruments. Trade payables have a credit term which generally ranges from 15 to 30 days.

Nontrade payables include accrued salaries and professional fees which are generally settled within the year.

Payable to government agencies includes VAT payable, withholding taxes, employee loans SSS and PAG-IBIG salary, and contribution to SSS, PAG-IBIG and PhilHealth.

NOTE 12 – EQUITY

This account consists of:

Particulars	2024 No. of shares	2024 Amount	2023 No. of shares	2023 Amount
Authorized at ₱1.00 par value	**2,000,000,000**	₱ **2,000,000,000**	2,000,000,000	₱ 2,000,000,000
Issued and outstanding ₱1.00 par value	**1,418,812,082**	**1,418,812,082**	1,418,812,082	1,418,812,082

On July 17, 2019, the BOD and Stockholders approved the acquisition of shares of SMPC

Through a share swap transaction wherein all shareholders of SMPC will exchange all their shares in SMPC for shares of STN. On the same date, the BOD and Stockholders also approved the conversion of loans from Greenkraft and Roxburgh into common shares in STN (Notes 1 and 8).

To accommodate the transactions discussed above, the BOD and Stockholders approved the amendment of the AOI to increase the authorized capital stock from ₱1 billion, divided into one billion common shares to ₱2 billion, divided into two billion common shares with par value of ₱1 per share.

On December 29, 2020, the SEC approved the increase in authorized capital stock of the Company. On the same date, the Company issued 269,250,000 shares to the shareholders of SMPC in exchange for all of their shareholdings to the latter. The Company also issued 149,562,081 shares to its lenders effecting the debt-to-equity conversion (Notes).

Expenses incurred that are directly attributable to the issuance of shares, net of related tax benefit, amounted to ₱6.21 million. Such amount was deducted against additional paid-in capital in 2020.

12.1 Additional Paid-in Capital

The Company's loans were restructured in October 2010 and the 123,818,000 unissued shares amounting to ₱123.82 million were issued to a creditor to settle portion of the loan amounting to ₱247.63 million. The excess of the amount settled over the amount of issued shares (₱123.81 million) was recognized as part of additional paid-in capital (Note 1).

12.2 Earnings (Loss) Per Share

The Company has no dilutive equity instruments. Basic earnings per common share in centavos for the years ended December 31 is calculated as follows:

Particulars	2024	2023
Net income for the year available to common shareholders	₱ **14,058,162**	₱ 122,694,632
Divide by weighted average number of common shares, in thousand	**1,418,812,082**	1,418,812,082
Basic earnings per share	₱ **0.0099**	₱ 0.0865

NOTE 13 – RELATED PARTY TRANSACTIONS

In the normal course of business, the Company has transactions and balances with its related parties. All material related party transactions are subject to approval by the BOD. Material related party transactions pertain to those transactions, either individually or in aggregate over a 12-month period, that exceed 10% of the Company's total assets based on the latest audited financial statements. All other related party transactions that are considered not material are approved by management.

As at December 31, 2024 and 2023, outstanding balances arising from related party transactions are as follows:

Category	Year	Note/ Ref	Transaction	Receivables	Borrowings	Due from related parties	Due to related parties	Terms	Conditions
Entities under common control									
- Reimbursements	**2024**	6, 14b	₱ **-**	₱ **87,376**	₱ **-**	₱ **-**	₱ **-**	Collectible on demand;	Unsecured;
	2023		₱ -	₱ 121,963	₱ -	₱ -	₱ -	non - interest bearing	no impairment
- Services	**2024**	c	**50,000,000**	**-**	**-**	**9,034,410**	**-**	Collectible on demand;	Unsecured;
	2023		37,500,000	-	-	12,125,000	-	non - interest bearing	no impairment
- Advances	**2024**	13a	**-**	**-**	**-**	**-**	**146,820,220**	Payable on demand;	Unsecured
	2023		55,103,692	-	-	-	175,043,516	non - interest bearing	
- Borrowings	**2024**	1, 12	**-**	**-**	**-**	**-**	**-**		
	2023		(190,000,000)	-	-	-	-	Payable in 25 years in equal quarterly installments; interest bearing at 2% p.a. on the first five years; 6% p.a. on the 6th until the 15th year, and 8% p.a. on the 16th year onwards until maturity	Secured by various current and noncurrent assets of the Company
TOTAL	**2024**		**-**	₱ **87,376**	₱ **-**	₱ **99,034,410**	₱ **146,820,220**		
TOTAL	2023		-	₱ 121,963	₱ -	₱ 12,125,000	₱ 175,043,516		

a. Due to related parties consist mainly of non-interest-bearing advances for working capital requirements with no definite repayment dates.

b. Reimbursement of various expenses were paid in advance by the Company and charged to the related party.

c. In 2022, SCPC has entered into a management and operations agreement with the Company for a period of one (1) year amounting to ₱25,000,000, renewable for another year, subject to terms and conditions mutually agreed by the parties. The key officers of the Company shall manage the affairs of SCPC and shall include such services corporate and business management, planning and budgeting, finance and treasury functions, accounting functions, financial reporting and regulatory filing and reporting, risk management, government and regulatory affairs, and administrative/office services and leasing. The management and operations agreement was renewed for a period of one (1) year for the year 2023 and extended in 2024.

d. In 2023, SMPC entered into a management and operations agreement with the Company for a period of one (1) year amounting to ₱12,500,000, renewable for another year, subject to terms and conditions mutually agreed by the parties. The key officers of the Company shall manage the affairs of SMPC and shall include such services corporate and business management, planning and budgeting, finance and treasury functions, accounting functions, financial reporting and regulatory filing and reporting, risk management, government and regulatory affairs, and administrative/office services and leasing. The management and operations agreement was renewed for a period of one (1) year for the year 2023 and extended in 2024 at an increased amount of ₱25,000,000.

e. In June 2024, SLC and SMC entered into a memorandum of agreement where it provides that Steniel Land Corporation agreed to waive its receivables from Steniel Manufacturing Corporation amounting to ₱6.630 million (Note 15).

The Company's key management received compensation in 2024 and 2023 amounting to ₱18.029 million and ₱7.571 million, respectively.

Unless otherwise indicated, amounts due to/from related parties are expected to be settled in cash.

NOTE 14 – OPERATING EXPENSES

For the years ended December 31, the account consists of:

Particulars	Note		**2024**		2023
Professional fees		₱	**16,353,854**	₱	6,800,083
Salaries, wages and employee benefits			**13,729,566**		2,451,050
Penalties			**5,856,700**		-
Listing fees			**1,535,249**		261,250
Seminars and trainings			**230,515**		10,661
Publications			**185,120**		-
Depreciation	9		**129,018**		91,415
Taxes and licenses			**94,407**		175,330
Commission			**39,118**		210,713
Representation			**25,153**		-
Others			**324,649**		300,591
Total		₱	**38,503,349**	₱	10,301,093

Miscellaneous pertains to mailing and courier services, subscriptions, office supplies, and bank charges.

NOTE 15 – OTHER INCOME

For the years ended December 31, the account consists of:

Particulars	Note		**2024**		2023
Management fee		₱	**50,000,000**	₱	37,500,000
Others			**6,630,353**		1,098
Dividend income			**1,895,559**		1,195,240
Foreign exchange gain			**33,655**		-
Interest income			**6,283**		5,282
Gain on disposal of investment	1		**-**		69,399,261
Gain on acquisition of investment	1		**-**		65,434,547
Total		₱	**58,565,850**	₱	173,535,428

Dividend income pertains to the cash dividends received from investment in equity instruments.

Others pertain to gain of the Company from the liability waived by its creditor.

In September 2023, the dacion en pago was completed relating to the Company's shares in SLC and the balance of borrowing was fully settled. The Company acquired shares in SLC from SCPC with a cost of ₱72.705 million for ₱7.271 million resulting to a gain on acquisition amounting to ₱65.435 million. Consequently, the Company assigned the shares in SLC to Greenkraft as payment to its remaining balance of borrowings to Greenkraft amounting to P190 million resulting to a gain on disposal amounting to ₱69.399 million. As of December 31, 2023, the Company has fully-settled its borrowings to Greenkraft.

NOTE 16 – INCOME TAXES

On January 5, 2024, Ease of Paying Taxes (EOPT) Act was passed into law. The EOPT Act introduced significant amendments to the National Internal Revenue Code of 1997 ("The Code") which are intended to protect and safeguard taxpayer rights and welfare to modernize tax administration by providing mechanisms that encourage easy compliance at the best cost and resources, and to update the tax system and adopt best practices.

The amendments include the following:

- File and pay anywhere mechanism. Taxes shall be paid either electronically or manually at the time the return is filed.
- Classification of taxpayers into micro, small, medium and large taxpayers.
- Withholding of tax on income payments only when payable.
- Imposing value-added tax (VAT) on services, based on gross sales, no longer on gross receipts.
- VAT invoices are sufficient to substantiate input VAT arising from the purchase at both goods and services.
- Removal of "business style" as a VAT invoicing requirement.
- Removal of withholding tax as requirement for deductibility of income payments.

The reconciliation of the income tax expense computed at the statutory income tax rate to the income tax expense recognized in profit or loss is as follows:

Particulars		**2024**		2023
Income before income tax	₱	**20,062,502**	₱	163,234,335
Income tax expense (benefit) at statutory tax rate of 25%	₱	**5,015,625**	₱	40,808,584
Adjustments to income tax resulting from:				
Dividend income		**(473,890)**		(298,810)
Interest income subjected to final tax		**(1,571)**		(1,321)
Nondeductible expenses		**1,464,176**		31,250
Total	₱	**6,004,340**	₱	40,539,703

As at December 31, 2024 and 2023, deferred tax assets have not been recognized in respect of the temporary differences and NOLCO as management believes that it is not probable that sufficient taxable profit will be available against which all deferred tax assets may be utilized.

Particulars		**2024**		2023
Temporary Differences:				
Allowance for impairment losses on advances to suppliers	₱	**1,842,500**	₱	1,842,500
Total	₱	**1,842,500**	₱	1,842,500

NOTE 17 – RESTATEMENT

In 2024, the Company's operations were adjusted to incorporate a revision related to the previously disposed cost of an investment acquired from SCPC. This adjustment was necessitated by the completion of the dación en pago process in 2023 (refer to Note 1), resulting in a reduction of the gain on disposal, net of tax, amounting to ₱35.922 million. Additionally, an adjustment of ₱1.098 million was recognized on the cost of equity instruments, arising from discrepancies identified on the cost of disposed investments in the previous year.

Particulars	Balance as of December 31, 2023	Adjustments	**Adjusted balance as of December 31, 2024**
Statements of Financial Position:			
Prepaid expenses and other current assets (Note 7)	₱ 20,000	₱ 8,764,296	₱ **8,784,296**
Investment in equity securities (Note 10)	62,016,741	(1,098,418)	**60,918,323**
Due to related parties (Note 13)	127,147,824	47,895,692	**175,043,516**
Income tax payable	3,209,627	(3,209,627)	**-**
Deficit (Note 12)	(1,422,906,162)	(37,020,187)	**(1,459,926,349)**
Statements of Comprehensive Income:			
Other income (Note 14)	221,431,120	(47,895,692)	**173,535,428**
Income tax expense (Note 16)	52,513,626	(11,973,923)	**40,539,703**
Other comprehensive income (Note 10)	14,559,705	(1,098,418)	**13,461,287**

NOTE 18 – FINANCIAL RISK AND CAPITAL MANAGEMENT OBJECTIVES AND POLICIES

18.1 Objectives and Policies

The Company's financial assets and liabilities, comprising mainly of cash in banks, receivables, investments in equity instruments, trade payables and other current liabilities, borrowings and due to related parties, are exposed to a variety of financial risks: liquidity risk, credit risk and market risk (include price risk and cash flow interest rate risk). Management ensures that it has sound policies and strategies in place to minimize potential adverse effects of these risks on the Company's financial performance:

Risk management is carried out through the policies approved by the BOD of the Company. The BOD provides principles on overall risk management and on specific areas such as liquidity risk, credit risk and market risk.

18.2 Liquidity Risk

Liquidity risk pertains to the failure of the Company to discharge its obligations and commitments. The tight cash position limits its obligation to take advantage of increasing demands. The Company's financial liabilities include trade payables and other current liabilities, and due to related parties (Notes 10, 11 and 13).

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments used for liquidity management.

December 31, 2024		**Carrying Amount**		**Contractual Cash flow**		**Less than 1 year**		**More than 1 year**		**Total**
Trade payables and other current liabilities*	₱	**3,767,168**	₱	**3,767,168**	₱	**3,767,168**	₱	**-**	₱	**3,767,168**
Due to related parties		**146,820,220**		**146,820,220**		**146,820,220**		**-**		**146,820,220**
Total	₱	**150,587,388**	₱	**150,587,388**	₱	**150,587,388**	₱	**-**	₱	**150,587,388**

**Carrying amount excludes payable to government amounting to ₱5.007 million*

December 31, 2023		Carrying Amount		Contractual Cash flow		Less than 1 year		More than 1 year		Total
Trade payables and other current liabilities*	₱	4,678,392	₱	4,678,392	₱	4,678,392	₱	-	₱	4,678,392
Due to related parties		175,043,516		175,043,516		175,043,516		-		175,043,516
Total	₱	179,721,908	₱	179,721,908	₱	179,721,908	₱	-	₱	179,721,908

**Carrying amount excludes payable to government amounting to ₱3.391 million*

The Company regularly monitors its cash position, continuously negotiates with creditors for new credit terms and depends on the financial support from its operating subsidiary and shareholders to meet its obligation as they fall due.

In December 2020, significant amount of the Company's borrowings was converted into equity. The remaining asset subject to dacion en pago under the provisions of the Amended Agreement pertain to investment in preferred shares of SLC with fair value of ₱190.0 million with reference to the municipality zonal value of land owned by SLC (Notes 1, 12 and 13). This transaction was completed and the balance of borrowing was paid in full in September 2023.

18.3 Credit Risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. Credit risk is managed on a Company basis at the STN level. Credit risk arises from deposits with banks and receivables. Cash transactions are limited to high-credit-quality financial institutions.

For the Company's banks and financial institutions requirements, decisions are made at the Company level that considers and leverages on Company's needs and cost. Cash in banks are maintained with universal and commercial banks which represent the largest single group, resource-wise, of financial institutions in the Philippines.

The maximum exposure of the Company to credit risk as at December 31, without considering the effects of collaterals and other risk mitigation techniques, is presented below.

Particulars	Note		**2024**		2023
Cash in banks	5	₱	**5,956,569**	₱	16,223,721
Receivables	6		**87,376**		121,963
Due from related parties	13		**9,034,410**		12,125,000
Total		₱	**15,078,355**	₱	28,470,684

The table below shows the credit quality of the Company's financial assets as at December 31, 2024 and 2023.

December 31, 2024	Note		**Neither past due nor impaired**					
			High Grade		**Medium Grade**		**Low Grade**		**Total**
Cash in banks	5	₱	**5,956,569**	₱	**-**	₱	**-**	₱	**5,956,569**
Receivables	6		**-**		**-**		**87,376**		**87,376**
Due from related parties	13		**-**		**9,034,410**		**-**		**9,034,410**
Totals		₱	**5,956,569**		**9,034,410**		**87,376**		**15,078,355**

December 31, 2023	Note		Neither past due nor impaired						
			High Grade		Medium Grade		Low Grade		Total
Cash in banks	5	₱	16,223,721	₱	-	₱	-	₱	16,223,721
Receivables	6		-		-		121,963		121,963
Due from related parties	14		-		12,125,000		-		12,125,000
Totals		₱	16,223,721	₱	12,125,000	₱	121,963	₱	28,470,684

It is the Company's policy to maintain accurate and consistent risk ratings across the financial assets which facilitates focused management of applicable risks. The Company utilizes an internal credit rating system based on its assessment of the quality of the financial assets. The Company classifies its unimpaired receivables into the following credit grades:

- High Grade - This pertains to accounts with a very low probability of default as demonstrated by the customer/debtor long history of stability, profitability and diversity. The customer/debtor has the ability to raise substantial amounts of funds through the public markets. The customer/debtor has a strong debt service record and a moderate use of leverage.

- Medium Grade - The customer/debtor has no history of default. The customer/debtor has sufficient liquidity to fully service its debt over the medium term. The customer/debtor has adequate capital to readily absorb any potential losses from its operations and any reasonably foreseeable contingencies. The customer/debtor reported profitable operations for at least the past 3 years.

- Low Grade - The customer/debtor is expected to be able to adjust to the cyclical downturns in its operations. Any prolonged adverse economic conditions would however ostensibly create profitability and liquidity issues. Operating performance could be marginal or on the decline. The customer/debtor may have a history of default in interest but must have regularized its service record to date. The use of leverage is above industry standards but has contributed to shareholder value.

The table below presents the Company's exposure to credit risk and shows the credit quality of the financial assets by indicating whether the financial assets are subjected to 12-month ECL or lifetime ECL. Assets that are credit-impaired are separately presented.

		Financial Assets at Amortized Cost			
December 31, 2024	**Note**	**12-month ECL**	**Lifetime ECL- not credit impaired**	**Lifetime ECL- credit impaired**	**Total**
Cash in banks	5	₱ **5,956,569**	₱ **-**	₱ **-**	₱ **5,956,569**
Receivables	6	**87,376**	**-**	**-**	**87,376**
Due from related parties	14	**-**	**9,034,410**	**-**	**9,034,410**
Total		₱ **6,043,945**	₱ **9,034,410**	₱ **-**	₱ **15,078,355**

		Financial Assets at Amortized Cost			
December 31, 2023	Note	12-month ECL	Lifetime ECL- not credit impaired	Lifetime ECL- credit impaired	Total
Cash in banks	5	₱ 16,223,721	₱ -	₱ -	₱ 16,223,721
Receivables	6	121,963	-	-	121,963
Due from related parties	14	-	12,125,000	-	12,125,000
Total		₱ 16,345,684	₱ 12,125,000	₱ -	₱ 28,470,684

The Company believes that the unimpaired amounts are past due by more than 60 days are still collectible based on historical payment behavioral analyses of the underlying counterparties' credit ratings.

18.4 Market Risk

Market risk is the risk that the changes in market prices, such as foreign exchange rates, interest rates and other market prices, will affect the Company's income or the value of its holdings in financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Foreign Currency Risk

The Company is exposed to foreign currency risk on its cash in banks that is denominated in US Dollars. The Company regularly monitors the outstanding balance of its cash in banks that is denominated in US Dollars and maintains them at a level responsive to the current exchange rates so as to minimize the risks related to this foreign currency denominated asset. The Company expects that the effects of this foreign currency risk are immaterial to the separate financial statements.

Interest Rate Risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposures to interest rate risk relates primarily to the Company's borrowings. The Company manages its interest rate risk by limiting its borrowings to long-term loans with fixed interest rates over the term of the loan.

Share Price Changes of Investment in Equity Instruments

The Company has investments in equity instruments traded in the Philippine Stock Exchange and are exposed to share price changes. Share price changes of investments in equity instruments arises from future commercial transactions and recognized assets and liabilities.

The following table demonstrates the sensitivity to a reasonably possible change in the fair value of investments in equity instruments, with all other variables held constant, of the Company's equity:

	Effect on Capital Deficiency							
	2024				2023			
		3% Increase		**3% Decrease**		6% Increase		6% Decrease
Investment in equity securities	₱	**2,138,197**	₱	**(2,138,197)**	₱	4,071,312	₱	(4,071,312)

18.5 Fair Value Estimation of Financial Assets and Liabilities

Cash in Banks, Receivables, and Due from Related Parties. The carrying amounts of cash in banks, receivables, and due from related parties' approximate fair values due to the relatively short-term maturities of these financial instruments.

Investment in Equity Instruments. The fair value of quoted investment in equity instruments is determined by reference to their quoted bid prices at the reporting date (Level 1).

The fair values of golf shares and country club memberships are based on cost since there is no realizable basis for fair value.

Trade Payables and Other Current Liabilities and Due to Related. The carrying amounts of trade payables and other current liabilities, due to related parties and current portion of borrowings approximate fair value due to the relatively short-term maturities of these financial instruments.

18.6 Capital Management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Cash flow from the activities of the Company's operating subsidiaries is considered a measure that reflects the Company's ability to generate funding from operations for its investing and financing activities and is representative of the realization of value or shareholders from the Company's operations.

Total capital comprises the total equity as shown in the separate statements of financial position. The Company being a listed entity is covered by the PSE requirement of 10% minimum public ownership. The Company is under trading status in Philippine Stock Exchange since 2006 pursuant to the PSE's Implementing Guidelines for Companies under Corporate Rehabilitation when the Company notified the PSE in a disclosure that the stockholders have approved entering into rehabilitation proceedings (Note 1).

The Company is not subject to externally imposed capitalization requirements.

NOTE 19 – SUPPLEMENTARY TAX INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE (BIR)

I. Revenue Regulation (RR) No. 15-2010

In compliance with the requirements set forth by RR 15-2010 hereunder are the information on taxes, duties and license fees paid or accrued during the taxable year.

a) *Value added tax (VAT)*

Output VAT declared and movement in input VAT for the year ended December 31, 2024 and the revenues upon which the same was based consist of:

1. Output VAT	₱	6,000,000
Basis of the Output VAT:		
Vatable Sales	₱	50,000,000
2. Input VAT		
Beginning of the year	₱	-
Current year's domestic purchases:		
Purchases of capital goods		
a. Capital goods subject to amortization		-
b. Services lodged under other accounts		960,900
c. Capital goods more than ₱ 1 million		-
Capital goods exceeding ₱ 1 million deferred		-
Applied against output VAT		(960,900)
Balance at the end of the year	₱	-

b) *Importation*

The company did not have any purchases of imported goods subject to custom duties and tariff fees for the year ended December 31, 2024.

c) *Excise tax*

The Company did not have any transaction in 2024 which are subject to excise tax.

d) *Documentary stamp tax*

The Company has no documentary stamp taxes due and paid during the year.

e) *Taxes and licenses*

The taxes and licenses paid and accrued in 2024 are as follows:

Other taxes paid during the year recognized under "Taxes and Licenses" account under Operating Expenses		
License and permit fees	₱	**94,407**

f) *Withholding taxes*

The Company remitted the following withholding taxes in 2024:

Expanded withholding taxes	₱	1,664,910
Withholding taxes on compensation		2,292,438
Total	₱	**3,957,348**

g) *Deficiency tax assessment and tax cases*

The Company does not have any deficiency tax assessments with the BIR or tax cases outstanding or pending in courts or bodies outside of the BIR in any of the open years.

h) *Tax cases*

As of December 31, 2024, the Company has no pending tax court cases. However, on January 14, 2025, the Company received a discrepancy notice from the BIR for taxable year 2023 on its VAT and Income Tax returns with under-declared sales amounting to ₱12,523,750. The Company has already submitted documentary evidences and these are currently under the review of the bureau.

II. Revenue Regulations No. 34-2020

On December 18, 2020, BIR issued RR 34-2020 which prescribed the guidelines and procedures for the submission of BIR Form 1709, Transfer Pricing Documentation (TPD) and other Supporting Documents, Amending the pertinent provision of RR No. 19-2020 and RR No. 15-2010 .

The Company is not covered by the requirements and procedures for related party transactions provided under this revenue regulation.

ANNEX C

Sustainability Report

STENIEL MANUFACTURING CORPORATION
Sustainability Report

Contextual Information

Company Details	
Name of Organization	STENIEL MANUFACTURING CORPORATION
Location of Headquarters	GATEWAY BUSINESS PARK, BRGY. JAVALERA, GEN. TRIAS CAVITE
Location of Operations	GATEWAY BUSINESS PARK, BRGY. JAVALERA, GEN. TRIAS CAVITE
Report Boundary: Legal entities (e.g. subsidiaries) included in this report*	STENIEL MANUFACTURING CORPORATION AND ITS SUBSIDIARIES, STENIEL MINDANAO PACKAGING CORPORATION AND STENIEL CAVITE PACKAGING CORPORATION.
Business Model, including Primary Activities, Brands, Products, and Services	MANUFACTURING, PROCESSING, AND SELLING OF PAPER PRODUCTS AND LEASING OF MACHINERY AND EQUIPMENT.
Reporting Period	CALENDAR YEAR 2024
Highest Ranking Person responsible for this report	ELIZA C. MACURAY – TREASURER/CFO/CAE

ECONOMIC

Economic Performance

Direct Economic Value Generated and Distributed

Disclosure	Amount	Units
Direct economic value generated (revenue)	3,277,148,289	PhP
Direct economic value distributed:		
a. Operating costs	3,117,562,351	PhP
b. Employee wages and benefits	86,638,958	PhP
c. Payments to suppliers, other operating costs	3,884,484,989	Php
d. Dividends given to stockholders and interest payments to loan providers	Dividends - 0; Interest payments - 95,221,473	PhP
e. Taxes given to government	39,543,045	PhP
f. Investments to community (e.g. donations, CSR)	0	PhP

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Which stakeholders are affected?**	**Management Approach**
• *Revenue performance did not meet expectations or forecasts, primarily due to decline in crop yields within the agri-business sector. Crop yields decreased due to various reasons such as diseases and abrupt climate changes which are out of the Company's control.* • *Higher cost of raw materials primarily due to ongoing tensions on shipping routes. The Company's involvement is in the planning and processing of purchase transactions.*	*Shareholders, Employees, Customers, and Government*	• *The **Company** plans and implements various marketing strategies to expand market reach for non-agricultural business sectors, reducing reliance on industries vulnerable to diseases and environmental and seasonal fluctuations.* • *The **Company** will explore emerging markets or sectors with stable demand for paper-based packaging.* • *The **Company** will enhance raw materials procurement planning and explore alternative Asian suppliers to avoid incremental cost as a consequence of shipments passing though the tensioned area.*
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
• *An industry-wide decline in demand for packaging materials used in agricultural produce—particularly for bananas and pineapples—due to climate change and crop diseases is negatively affecting the Company's revenue and market share in the agricultural packaging segment.*	*Shareholders, Employees, Customers, and Government*	• *The Company will further strengthen its focus on additional market segments, including beverages, food, e-commerce, and other processed products, to enhance volume diversification.* • *The Company will prioritize expanding its supplier base, with a preference for those whose shipping routes remain*

• *Ongoing geopolitical tensions and global conflicts are driving up the cost of key raw materials, placing sustained pressure on the Company's production costs and impacting profitability.* • *Aggressive pricing strategies by competitors are intensifying market pressure, leading to potential loss of customers, reduced sales volumes, and margin compression, which may adversely impact the Company's revenue and long-term competitiveness.*		*unaffected by geopolitical disruptions.* • *Implementing customer retention strategies—such as loyalty programs, exceptional customer service, and personalized follow-ups—will help foster long-term relationships with clients.* • *The company will continuously evaluate and optimize its production lines to minimize waste and increase flexibility, thereby lowering production costs. This will enable the company to offer more competitive pricing while maintaining its target profit margins.*
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
• *The Company sees opportunities on emerging agricultural products and by-products requiring paper-based packaging materials (e.g. durian, coconut water, coconut shell charcoal, and etc.)* • *The Company sees potential in entering into the manufacturing and selling of plastic labels, stickers, and other secondary packaging materials.*	*Shareholders, Employees, Customers, and Government*	• *The Company continues to collaborate with various customers on projects involving emerging agricultural products and by-products, offering its expertise in developing suitable packaging materials.* • *The Company is actively engaging with existing customers to understand their needs and trends related to the demand, supply, and specifications of plastic labels, stickers, and other secondary packaging materials.*

Procurement Practices

Proportion of spending on local suppliers

Disclosure	Quantity	Units
Percentage of procurement budget used for significant locations of operations that is spent on local suppliers	*10 to 20*	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
• *Raw materials inventory exceeded customer requirements and planned stock levels due to unpredictable delays stemming from issues in shipping routes, prompting the company to place larger orders as a precaution against potential stockouts. The Company's involvement is in the proper management of inventory to prevent obsolescence and to keep the inventory in good condition.* • *The company faced additional port charges as a result of port inefficiencies and congestion, driven by operational cut-offs imposed by the port authority and the simultaneous arrival of multiple shipments caused by ongoing shipping disruptions. The company is actively involved in ensuring that shipments are promptly*	*Shareholders, Employees, Customers, and Government*	• *The Company conducts weekly and monthly review of inventory to determine the production requirements and the status of each inventory.* • *The company is actively working to mitigate these costs by maintaining close coordination with its third-party broker. This collaboration focuses on planning and executing timely clearance and efficient withdrawal of procured items from the port, helping to streamline the process and reduce delays and associated charges.*

pulled out as soon as they are cleared by customs.		
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
• *The Company is exposed to risks related to the availability and affordability of raw materials, particularly those sourced from suppliers in the United States and European countries, which may be directly or indirectly impacted by the implementation of aggressive tariffs.* • *There is a risk that suppliers based in the United States and Europe may be unable to fulfill the Company's raw material requirements in a timely manner due to ongoing tensions and disruptions in major shipping routes. This could result in supply delays, increased procurement costs, and potential interruptions in production, ultimately affecting the Company's ability to meet customer demand and delivery timelines.*	*Customers, Employees, Shareholder, Government, and the General Public*	• *The Company is taking a proactive approach to strengthen supply chain resilience. This includes diversifying its supplier base by identifying and qualifying alternative sources in less affected regions, and exploring local or regional suppliers to reduce dependency on long-haul shipping routes.* • *The Company is also enhancing its procurement planning by closely monitoring global trade developments, including tariff policies, and adjusting sourcing strategies accordingly to manage cost volatility.* • *The Company is collaborating more closely with logistics partners to anticipate and respond to shipping route disruptions, while maintaining optimal inventory levels to buffer against potential delays.*
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**

• *There is a clear opportunity to increase local sourcing to strengthen supply chain resilience and reduce exposure to global shipping disruptions and tariffs. By expanding partnerships with local or regionally-based suppliers, the Company can lower transportation and port-related costs, reduce lead times, and minimize the risks of inventory delays and obsolescence.*	*Customers, Employees, Shareholder, Government, and the General Public*	• *The Company can pursue supplier development initiatives to enhance the capabilities of local partners, explore volume consolidation to gain cost advantages, and integrate local procurement into its strategic sourcing model.*

Anti-corruption

Training on Anti-corruption Policies and Procedures

Disclosure	Quantity	Units
Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated to	*100*	%
Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to	*100*	%
Percentage of directors and management that have received anti-corruption training	*100*	%
Percentage of employees that have received anti-corruption training	*100*	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
• *Stakeholders are increasingly aware of the Company's anti-corruption practices and are more accountable for maintaining a corruption-*	*Board of Directors and Officers, Employees, Government, and Public*	• *Management ensures that its anti-corruption policies and procedures are communicated to both employees and business partners.*

free working environment. The Company—particularly the Board of Directors and key officers—plays an active role in setting a strong example and in developing and enhancing policies to reinforce internal controls.		• *Copies of the Code of Conduct are discussed and distributed to officers and employees and they are strictly forbidden from participating in any form of direct or indirect bribery or corrupt activities.* • *Furthermore, all directors and officers of the Company are required to attend the annual Corporate Governance seminars, which cover anti-corruption subjects among other relevant topics.*
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
• *The Company partners with suppliers and customers who uphold high standards of integrity. However, while every effort is made to mitigate risks, corruption can never be entirely eliminated. As such, the Company acknowledges the potential exposure to unethical practices by employees, customers, or suppliers who may be motivated and find opportunities to engage in such acts.*	*Board of Directors and Officers, Employees, Customers, Suppliers, Government, and Public*	• *The Company maintains a strong commitment to integrity and ethical conduct across all levels of its operations and partnerships. This includes the implementation of the Company's Code of Conduct that outlines guidelines, reporting mechanisms, and disciplinary measures.* • *The Company regularly conducts training and awareness programs for employees, suppliers, and business partners to reinforce its zero-tolerance stance on corruption and promote a culture of accountability.* • *The Company performs due diligence and periodic assessments of suppliers and customers to ensure alignment with its ethical standards.*

What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
• *The Company sees an opportunity to establish a comprehensive, standalone anti-corruption policy to further reinforce its internal controls and safeguard against corrupt practices.*	*Board of Directors and Officers, Employees, Customers, Suppliers, Government, and Public*	• *The Company will initiate the development of a comprehensive, standalone anti-corruption policy that clearly outlines prohibited practices, responsibilities, reporting mechanisms, and enforcement procedures. This policy will be aligned with both local regulations and international best practices to ensure broad applicability and effectiveness.*

Incidents of Corruption

Disclosure	Quantity	Units
Number of incidents in which directors were removed or disciplined for corruption	0	Incident/s
Number of incidents in which employees were dismissed or disciplined for corruption	0	Incident/s
Number of incidents when contracts with business partners were terminated due to incidents of corruption	0	Incident/s

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
• *Incidents of corruption have detrimental effects on both the Company's reputation and the morale of its employees. The Company's involvement is on the management of existing and potential risks.*	*Directors and Officers, Employees, and Government*	• *Management strictly enforces the Company's anti-corruption policies and procedures and reviews all transactions to ensure that there is no corruption involved.* • *Risk-based assessments are conducted regularly to proactively manage potential risks.*
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**

• *Acts of corruption affect the reputation of the Company and the morale of the people.* • *Corrupt practices may put the company under tight government scrutiny.*	*Directors and Officers, Employees, and Government*	• *Risk-based assessments are conducted regularly to proactively manage existing and potential risks.*
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Enhance training on anti-corruption policies and procedures	*Directors and Officers, Employees, and Government*	*Management is continuously looking into ways it can enhance training on anti-corruption policies and procedures.*

ENVIRONMENT

Resource Management

Energy consumption within the organization:

Disclosure	Quantity	Units
Energy consumption (renewable sources)	2,637.97	GJ
Energy consumption (gasoline)	0	GJ
Energy consumption (LPG)	5.00	GJ
Energy consumption (diesel)	33,096.70	GJ
Energy consumption (electricity)	5,784,513.20	kWh

Reduction of energy consumption

Disclosure	Quantity	Units
Energy reduction (renewable sources)	56.60	GJ
Energy reduction (LPG)	0	GJ
Energy reduction (diesel)	0	GJ
Energy reduction (electricity)	18,350.00	kWh
Energy reduction (gasoline)	0	GJ

What is the impact and where does it occur? What is the organization’s involvement in the impact?	Which stakeholders are affected?	Management Approach

• *The Group is heavily dependent on electricity to operate, with its primary source being the power utility company, DLPC. Additionally, a portion of its electricity needs is fulfilled by a solar power generator leased and installed on the premises. Diesel is also utilized for operating equipment and vehicles. Optimizing the capacity of the solar power generator and ensuring efficient use of diesel and electricity significantly affect both costs and the environment positively.*	*Directors and Officers* *Employees* *Customers* *Public*	• *The Company performs routine evaluations to pinpoint significant energy users and their energy sources. Determining which areas to prioritize for energy conservation mainly depends on feasibility or the possibility of reducing energy consumption. Subsequently, a plan to decrease utility usage is developed to fulfill the company's energy consumption goals.* • *The management strategically schedules operations to maximize the utilization of solar power due to its cost-effectiveness and minimal environmental footprint.* • *Moreover, the management purposefully schedules production to minimize diesel consumption while maintaining efficient product output.*
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
• *Escalating power and diesel rates are attributed, but not limited, to factors such as heightened fuel costs resulting from conflicts in import routes.* • *Reduced customer demand compels the company to operate at reduced capacities, consequently impacting the efficiency of power consumption; thus,*	*Directors and Officers* *Employees* *Customers* *Public*	• *The management is continuously working on optimizing the utilization of the solar power generator and exploring additional renewable energy sources. Through which, the company can reduce dependence on conventional electricity and volatile diesel. This shift towards renewable energy not only lowers operational costs but also enhances the*

increasing the cost of operation.		*organization's environmental sustainability profile.*
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
• *Transition to renewable source of energy that is cheaper and may potentially attract environmentally cautious customers and investors.* • *Adoption and implementation of energy-efficient technologies and practices which may include upgrading equipment, improving insulation and adopting smart energy management system.*	*Directors and Officers* *Employees* *Customers* *Government*	• *The Company takes a proactive approach in adopting energy-efficient equipment. Additionally, the management is exploring the possibility of expanding the rooftop-mounted solar power generator.*

Water consumption within the organization

Disclosure	Quantity	Units
Water withdrawal	9,790.00	Cubic meters
Water consumption	38,651.00	Cubic meters
Water recycled and reused	2,664.00	Cubic meters

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Taking into account the nature and size of operations, the Company has minimal water consumption. Nevertheless, the Company ensures that there is a safe and sufficient source of water for drinking and utility use.	*Employee* *Community* *Government* *Customer*	*To guarantee the safety of potable water for both employees and guests, the management conducts routine inspections and/or audits of drinking water suppliers.* *Additionally, the management ensures that regular tests are*

		carried out on alternative water sources to confirm their suitability for utility use. *Furthermore, the management maintains the cistern facility and the newly installed 60 cubic meter water tank within the plant to store and utilize rainwater effectively.*
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Increasing water rates and unstable water supply will have a direct effect on the operating cost and operation. *Drinking water failing the standard quality poses health risks to employees.*	*Employees* *Government*	*The Company keeps the cistern and water tank in good condition to ensure that it effectively captures and stores rainwater and that the rainwater is efficiently used.*
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Taking into account the nature and size of operations, the Company has minimal water consumption. Thus, opportunities in relation to this matter are negligible	*NA*	*NA*

Materials used by the organization

Disclosure	**Quantity**	**Units**
Materials used by weight or volume	64,101.02	MT
• renewable	257.18	MT
• non-renewable	64,101.02	MT
Percentage of recycled input materials used to manufacture the organization's primary products and services	32.32	%

What is the impact and where does it occur? What is the	**Which stakeholders are affected?**	**Management Approach**

organization's involvement in the impact?		
• *The Company's operations are significantly dependent on the accessibility and sustainability of its primary raw material, paper. In response to the substantial global demand, the Company collaborates with its customers to create products utilizing recycled papers, which not only offer cost advantages but also contribute to environmental preservation, thereby reducing the Company's working capital.*	*Suppliers* *Customers* *Employees*	• *Maximize the utilization of recycled papers through the implementation of novel technologies, ongoing process enhancements, and fostering innovation, alongside offering training programs to cultivate a proficient and technically skilled workforce.*
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
• *Several factors, including the environmental consequences of global warming and the requirement for domestic wood in bio-energy production, present challenges to the sustainability of paper mills in fulfilling worldwide demands for paper rolls. Furthermore, these factors directly influence the pricing of paper rolls in the market.*	*Suppliers* *Customers* *Employees*	• *Continuous improvement in supply chain management and technological innovation to efficiently consume raw materials.* • *Market analysis and pricing strategies are conducted and implemented to negotiate better prices with the suppliers.*

What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
• *With increasing consumer demand for environmentally friendly packaging, the Company can capitalize on this trend by offering sustainable packaging solutions made from recycled or responsibly sourced paper materials.* • *And as e-commerce continues to grow, there is a rising demand for packaging solutions tailored to shipping products directly to consumers. The Company can develop specialized packaging solutions optimized for e-commerce fulfillment, such as corrugated boxes designed for efficient shipping and product protection.*	*Suppliers* *Customers* *Employees*	• *Conducting market research and analysis, investing in research and development, integration of sustainable practices, strategic partnership and collaboration, service expansion and differentiation, and maintaining strong customer relations.*

Ecosystems and biodiversity (whether in upland/watershed or coastal/marine)

Disclosure	Quantity	Units
Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	NA	
Habitats protected or restored	NA	ha
IUCN[1] Red List species and national conservation list species with habitats in areas affected by operations	NA	

What is the impact and where does it occur? What is the	Which stakeholders are affected?	Management Approach

[1] International Union for Conservation of Nature

organization's involvement in the impact?		
N/A	N/A	N/A
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
N/A	N/A	N/A
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
N/A	N/A	N/A

Environmental impact management

Air Emissions

GHG

Disclosure	Quantity	Units
Direct (Scope 1) GHG Emissions	7,155.22	Tonnes CO_2e
Energy indirect (Scope 2) GHG Emissions	3,903.14	Tonnes CO_2e
Emissions of ozone-depleting substances (ODS)	NA	Tonnes

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
• *Energy indirect Greenhouse Gase (GHG) emission is the impact of usage of electricity, which is one of the major inputs in production.*	*Employees* *Customers* *Government* *Community*	• *The Company has adopted and implemented energy conservation measures such as the use of LED lights, inverter drive motor, and upgraded the electrical power controls (power-saving devices).*
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
• *Poor air quality*	*Employees* *Customers* *Government*	• *The Company has embraced and put into effect energy-saving initiatives, including consistent*

	Community	*upkeep of APCD and APSE systems, complying with stack sampling outcomes, and preserving ambient air quality by installing air ventilation fan and air conditioning units.*
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
• *Discover and implement new knowledge on power-saving technologies.*	*Employee* *Government* *Community*	• *The Company will invest in training and new equipment.*

Air pollutants

Disclosure	Quantity	Units
NO_x	3,300.00	MT/Yr
SO_x	6,290.00	MT/Yr
Persistent organic pollutants (POPs)	NA	
Volatile organic compounds (VOCs)	NA	
Hazardous air pollutants (HAPs)	92.00	MT/Yr
Particulate matter (PM)	2,050.00	MT/Yr

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Taking into account the nature and size of Operations, the Company has a negligible impact on this matter.	*Employee* *Community*	*The management ensures that the prescribed DENR source emission standards are kept and regular testing is made for the boilers, vehicles, and stan-by generators.*
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Taking into account the nature and size of Operations, the Company has negligible risks in relation this matter.	*Employee* *Community*	*Sources of air pollution regularly undergo preventive maintenance and low sulfur fuel is used.*
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**

Taking into account the nature and size of Operations, the Company has negligible opportunities in relation this matter.	*NA*	*NA*

Solid and Hazardous Wastes

Solid Waste

Disclosure	Quantity	Units
Total solid waste generated	10,052,004.50	kg
Reusable	25,471.50	kg
Recyclable	9,376,687.00	kg
Composted	-	kg
Incinerated	509,632.00	kg
Residuals/Landfilled	140,214.00	kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Taking into account the nature and size of Operations, the Company has negligible impact in relation this matter.	*Employee* *Community*	*Waste management key performance indicators were set and regular inspections/audits are conducted to monitor compliance and performance.* *Material recovery facilities were established and baling machine was installed to recover recyclable materials.* *Consistent implementation of solid waste management like proper segregation of waste and recycling.*
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Taking into account the nature and size of Operations, the Company has negligible risks in relation this matter.	*Employee* *Community*	*Assessments are conducted to identify the risks and risks are managed in accordance to the IRR prescribed by the DENR.*

What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
Taking into account the nature and size of Operations, the Company has negligible opportunities in relation this matter.	*Employee* *Community* *Customers*	*Enhance and endorse the company's current forward-thinking strategy aimed at minimizing solid waste.*

Hazardous Waste

Disclosure	Quantity	Units
Total weight of hazardous waste generated	14,869.25	kg
Total weight of hazardous waste transported	10,935.67	kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Taking into account the nature and size of Operations, the Company has negligible impact in relation this matter.	*Employee* *Community*	*Consistent implementation of hazardous waste management plan as prescribed by the implementing rules and regulations of RA 6969.*
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Taking into account the nature and size of Operations, the Company has negligible risks in relation this matter.	*Employee* *Community*	*Risks concerning hazardous waste are managed by conduction regular inspections and by designating a prescribed storage area, proper labeling for identification, and maintaining an updated inventory of hazardous wastes.*
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Taking into account the nature and size of Operations, the Company has negligible opportunities in relation this matter.	*Employee* *Community*	*Consistent implementation of hazardous waste management plan as prescribed by the implementing rules and regulations of RA 6969.*

Effluents

Disclosure	Quantity	Units
Total volume of water discharges	0	Cubic meters
Percent of wastewater recycled	10	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The wastewater discharge permit is currently undergoing renewal, which poses a risk to the Company's compliance status. The Company is responsible for monitoring and maintaining the wastewater discharge facility to ensure that effluent levels remain within acceptable parameters. However, a root cause analysis indicates that the primary issue stems from the facility's location—situated in the middle of a banana plantation where fertilizers with high level of ammonia are used leading to contamination of the water source utilized for various plant operations.	*Employee* *Community*	*Wastewater is temporarily held in the cesspool and undergoes treatment at the wastewater facility before being discharged.* *Regular inspection and review of waste streams are also conducted to identify instances of noncompliance and/or opportunities for improvement.*
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Taking into account the nature and size of Operations, the Company has negligible risks in relation this matter.	*Employee* *Community*	*On a periodic basis, the Company reviews compliance with the applicable government rules and internal campaign to use and recycle wastes.*

What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
Taking into account the nature and size of Operations, the Company has negligible opportunities in relation this matter.	*Employee* *Community*	*The Company continuously adopts new ideas and considers new technology that will help reduce and reuse waste.*

Environmental compliance

Non-compliance with Environmental Laws and Regulations

Disclosure	Quantity	Units
Total amount of monetary fines for non-compliance with environmental laws and/or regulations	*150,000.00*	PhP
No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations	*0*	#
No. of cases resolved through dispute resolution mechanism	*0*	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The Company was penalized for a violation under RA 8749, specifically the con-conformance of sulfur oxide emissions to the National Emissions Standards for Source Specific Air Pollutants (NESSAP). The Company is accountable for the management and monitoring of its operation thus, it is principally involved. The impact is on the environment and on the Company's compliance integrity.	*Community* *Employees* *Customers*	*The Company carried out a root cause analysis to accurately pinpoint the issue and determine appropriate corrective actions. As a result, it discontinued sourcing raw materials from one of its suppliers and is now planning to enhance its quality assurance process for raw material acceptance. This includes investing in advanced technologies that enable more precise testing of materials prior to acceptance.* *The company conducts annual reviews to ensure compliance with relevant environmental laws and regulations. Additionally, it offers comprehensive seminars and training sessions to its Pollution Control Officers (PCOs) to maintain their proficiency and keep them*

		abreast of updates in regulations, thereby ensuring the company's PCOs remain knowledgeable and skilled.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Taking into account the nature and size of Operations, the Company has negligible risks in relation this matter.	*Community* *Employees* *Customers*	*The company conducts annual reviews to ensure compliance with relevant environmental laws and regulations. Additionally, it offers comprehensive seminars and training sessions to its Pollution Control Officers (PCOs) to maintain their proficiency and keep them abreast of updates in regulations, thereby ensuring the company's PCOs remain knowledgeable and skilled.*
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Taking into account the nature and size of Operations, the Company has negligible opportunities in relation this matter.	*Community* *Employees* *Customers*	*The company conducts annual reviews to ensure compliance with relevant environmental laws and regulations. Additionally, it offers comprehensive seminars and training sessions to its Pollution Control Officers (PCOs) to maintain their proficiency and keep them abreast of updates in regulations, thereby ensuring the company's PCOs remain knowledgeable and skilled.*

SOCIAL

Employee Management

Employee Hiring and Benefits

Employee data

Disclosure	Quantity	Units
Total number of employees[2]	261.00	Headcount
a. Number of female employees	58.00	Headcount
b. Number of male employees	203.00	Headcount
Attrition rate[3]	2.38	Percent
Ratio of lowest paid employee against minimum wage	0	Percent

Employee benefits

List of Benefits	Y/N	% of female employees who availed for the year	% of male employees who availed for the year
SSS	Y	100.00	100.00
PhilHealth	Y	100.00	100.00
Pag-ibig	Y	100.00	100.00
Parental leaves	Y	3.98	10.52
Vacation leaves	Y	43.05	88.50
Sick leaves	Y	32.56	62.84
Medical benefits (aside from PhilHealth))	Y	100.00	100.00
Housing assistance (aside from Pag-ibig)	N		
Retirement fund (aside from SSS)	N		
Further education support	N		
Company stock options	N		
Telecommuting	N		
Flexible-working Hours	N		
(Others)	N		

[2] Employees are individuals who are in an employment relationship with the organization, according to national law or its application (GRI Standards 2016 Glossary)
[3] Attrition are = (no. of new hires – no. of turnover)/(average of total no. of employees of previous year and total no. of employees of current year)

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Benefits increase employee morale and productivity	*Management complies with all pertinent labor laws and regulations of the Department of Labor and Employment and all relevant government entities.*
What are the Risk/s identified?	**Management Approach**
Employee dissatisfaction and attrition due to competition	*The Company explores strategies to enhance employee morale and regularly conducts employee engagement surveys to assess the current level of employee engagement and to determine which initiatives have to be prioritized or enhance.*
What are the Opportunity/ies identified?	**Management Approach**
Periodic review of employee satisfaction	*Management is looking in to periodically reviewing employee satisfaction to address the employees' needs and concerns. Currently consistent team check-ins were in place.*

Employee Training and Development

Disclosure	Quantity	Units
Total training hours provided to employees		
a. Female employees	268.50	hours
b. Male employees	1,176.00	hours
Average training hours provided to employees		
a. Female employees	7.85	hours/employee
b. Male employees	12.69	hours/employee

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Trainings were conducted within and outside the company premises in partnership with the Company officers, customers, and government agencies.	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects,*

Employees who receive relevant training and skills development seminars generally have high morale and are efficient in performing their tasks, reducing operational costs.	*programs, and initiatives do you have to manage the material topic?*
What are the Risk/s Identified?	**Management Approach**
The growing demand for skilled workers abroad, combined with the ongoing need for business process outsourcing, presents a significant challenge in retaining trained and experienced employees.	*The Company should implement a comprehensive employee engagement and retention strategy focused on competitive compensation, clear career development paths, and a positive work culture. Offering opportunities for upskilling, international exposure, and internal mobility can help meet employees' aspirations and reduce the lure of overseas opportunities.* *Additionally, the Company is investing in leadership trainings, regular feedback mechanisms, and employee recognition programs to foster loyalty and a sense of belonging, making the organization a more attractive long-term workplace despite global demand pressures.*
What are the Opportunity/ies Identified?	**Management Approach**
The Company may be able to identify potential leaders who will carry on its culture of excellence.	*The Company demonstrates support for people development programs and consistently reminds employees of the importance of improving their skill sets.*

Labor-Management Relations

Disclosure	Quantity	Units
% of employees covered with Collective Bargaining Agreements	20.84	%
Number of consultations conducted with employees concerning employee-related policies	5	Sessions

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Harmonious labor-management relationship is a major factor in productivity and production quality. It has a big impact in promoting industrial peace and employee motivation.	*The operations team conduct meetings to discuss work-related issues. Resolving grievance issue is a priority of HR.*
What are the Risk/s Identified?	**Management Approach**
Labor dispute may affect productivity, industrial peace and harmony.	*The operations team conduct meetings to discuss work-related issues. Resolving grievance issue is a priority of HR.*
What are the Opportunity/ies Identified?	**Management Approach**
Quick dissemination of new policies. Opportunity to discover immediate solutions if there are labor issues.	*Regular meetings between dedicated staff and the employees; representative(s) can help resolve labor related issues immediately.*

Diversity and Equal Opportunity

Disclosure	Quantity	Units
% of female workers in the workforce	22.07	%
% of male workers in the workforce	77.93	%
Number of employees from indigenous communities and/or vulnerable sector*	3.00	Headcount

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Gender equality policies and campaigns are implemented and advocated in the Company. It has a significant impact on keeping the employees motivated, feeling secure, and involved, and preventing issues such as discrimination, bullying, and harassment.	*The Management consistently implements related policies and exemplifies respect at all times, regardless of sex or gender.* *Related issues are thoroughly discussed to maintain equality in the workplace.*

What are the Risk/s Identified?	**Management Approach**
Ineffective and unimplemented policies may result to attritions, discrimination, bullying, and harassment. *Lacking policies may lead to unintended offense and mistrust within the organization.*	*The Company conducts pre-employment orientations and annual re-orientations related to gender sensitivity and other related topics.* *The Company also conducts individual counseling.*
What are the Opportunity/ies Identified?	**Management Approach**
By working on the Company's gender-friendly image, the Company can attract more talents that will bring new skills and knowledge to the company.	*The Company provides equal opportunities to employees regardless of gender and involves employees in planning.*

Workplace Conditions, Labor Standards, and Human Rights

Occupational Health and Safety

Disclosure	Quantity	Units
Safe Man-Hours	1,673,305.44	Man-hours
No. of work-related injuries	1.00	Incident/s
No. of work-related fatalities		Incident/s
No. of work related ill-health		Incident/s
No. of safety drills	5.00	Time/s

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
The Occupational Health and Safety Committee is responsible for devising and executing workplace programs aimed at ensuring the safety of all stakeholders. Additionally, employees are urged to adhere to health and safety protocols even outside of the workplace.	*The Company, through its Health and Safety Committee, has successfully enhanced its overall health and safety performance and remains committed to continuously improving and implementing programs that support a safe and healthy work environment.*

By implementing health and safety programs, the company will guarantee the well-being and safety of its workforce and surroundings.	
What are the Risk/s Identified?	**Management Approach**
Failure to adhere to the company's health and safety programs and protocols by stakeholders could lead to incidents and security threats that disrupt both the workforce and operations.	*To mitigate the risks associated with non-compliance to health and safety protocols, the Company proactively approach the risk/s focusing on enforcement, education, and accountability. This includes regularly training all stakeholders—employees, contractors, and partners—on safety standards, clearly communicating responsibilities, and enforcing compliance through routine audits and disciplinary measures. Establishing a culture of safety, where leadership models best practices and workers are empowered to report violations or risks are is encouraged to help prevent incidents and ensure the continuity of safe operations across all levels of the organization.*
What are the Opportunity/ies Identified?	**Management Approach**
More opportunities were seen in the skills and professional development.	*The Company aligns its internal policies with those of leading organizations recognized for their exemplary health and safety programs, using them as benchmarks for continuous improvement.*

Labor Laws and Human Rights

Disclosure	Quantity	Units
No. of legal actions or employee grievances involving forced or child labor	0	Case/s

Do you have policies that explicitly disallows violations of labor laws and human rights (e.g. harassment, bullying) in the workplace?

Topic	Y/N	If Yes, cite reference in the company policy
Forced labor	N	

Child labor	N	
Human Rights	N	

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Management Approach**
NA	
What are the Risk/s Identified?	**Management Approach**
NA	
What are the Opportunity/ies Identified?	**Management Approach**
NA	

Supply Chain Management

Do you have a supplier accreditation policy? If yes, please attach the policy or link to the policy:

____

Do you consider the following sustainability topics when accrediting suppliers?

Topic	**Y/N**	**If Yes, cite reference in the supplier policy**
Environmental performance	N	
Forced labor	N	
Child labor	N	
Human rights	N	
Bribery and corruption	N	

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Management Approach**
Bribery and corruption within the supply chain can significantly impact the organization, much like environmental issues, human rights, and worker safety concerns.	*Consistently conducts comprehensive business process reviews and audits to pinpoint potential risks, while rigorously assessing the adequacy and efficacy of established controls.*
What are the Risk/s Identified?	**Management Approach**

The issues can expose the Company to various risks such as regulatory noncompliance, reputational damage, operational disruptions stemming from environmental incidents, and legal consequences.	*The Company should implement a multifaceted strategy. This includes conducting thorough risk assessments to identify vulnerabilities, establishing robust compliance management systems, implementing proactive environmental practices, developing reputation management strategies, creating crisis response plans, ensuring legal compliance with the help of legal counsel, and continuously monitoring and improving risk management processes. Through these measures, management can mitigate the potential negative impacts on the company's performance and long-term sustainability, promoting resilience and responsible business practices.*
What are the Opportunity/ies Identified?	**Management Approach**
Proactive environmental practices and reputation management enhance stakeholder trust, attracting new business. Improving operational efficiency through risk assessments and management boosts competitiveness and reduces costs. Robust compliance systems provide a competitive edge and mitigate regulatory risks. Crisis response plans foster innovation and leadership.	*Management proactively prioritizes strategic initiatives aimed at enhancing stakeholder trust, operational efficiency, compliance, and crisis preparedness. This involves implementing environmentally sustainable practices and effective reputation management strategies to attract new business and solidify stakeholder relationships. Additionally, conducting thorough risk assessments enables the identification of operational inefficiencies and the implementation of measures to streamline processes, reduce costs, and enhance competitiveness.*

Relationship with Community

Significant Impacts on Local Communities

Operations with significant (positive or	Location	Vulnerable groups (if applicable)*	Does the particular operation have	Collective or individual rights that have been	Mitigating measures (if negative) or enhancement

negative) impacts on local communities (exclude CSR projects; this has to be business operations)			impacts on indigenous people (Y/N)?	identified that or particular concern for the community	measures (if positive)
NA	NA	NA	NA	NA	NA

**Vulnerable sector includes children and youth, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E)*

For operations that are affecting IPs, indicate the total number of Free and Prior Informed Consent (FPIC) undergoing consultations and Certification Preconditions (CPs) secured and still operational and provide a copy or link to the certificates if available: _____________

Certificates	Quantity	Units
FPIC process is still undergoing	NA	#
CP secured	NA	#

What are the Risk/s Identified?	Management Approach
NA	
What are the Opportunity/ies Identified?	**Management Approach**
NA	

Customer Management

Customer Satisfaction

Disclosure	Score	Did a third party conduct the customer satisfaction study (Y/N)?
Customer satisfaction	4.03/5	N

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
NA	

What are the Risk/s Identified?	Management Approach
NA	
What are the Opportunity/ies Identified?	**Management Approach**
NA	

Health and Safety

Disclosure	Quantity	Units
No. of substantiated complaints on product or service health and safety*	0	Incident/s
No. of complaints addressed	0	Incident/s

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
The Company implements health and safety protocols within the company premises and promotes to employees to extend the best practices outside the company premises. *By adhering to these protocols, the Company provides a safe and healthy working environment for employees and other stakeholders, isolating the exposure to potential hazards.*	*Health and safety officers conduct regular site inspections to identify hazards and discuss them with management to develop plans to address and/or manage the risks.*
What are the Risk/s Identified?	**Management Approach**
Among the risks identified were as follows: *1. Inconsistent implementation of plant waste management* *2. Accumulated hazardous waste of predecessor owner* *3. Some electrical hazards were noted.* *4. Rate of obese employees is high*	*Immediately discuss the hazards and health issues identified and implement action plans to address and manage the risks identified.* *Continuously improve the health and safety committee by providing training and seminars to update and acquire existing and new knowledge.*
What are the Opportunity/ies Identified?	**Management Approach**

The Company has the opportunity to improve its health and safety programs by venturing into new services and programs such as: *1. Health and Safety Consulting Services by the company's contracted doctor* *2. Remote health and safety training* *3. Emergency response and crisis management* *4. Promoting active lifestyle through sports events*	*The company is fully committed to endorsing health and safety initiatives and has instructed the Human Resource Department to implement new programs aimed at enhancing health and safety standards.*

Marketing and labelling

Disclosure	Quantity	Units
No. of substantiated complaints on marketing and labelling*	0	#
No. of complaints addressed	0	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
There have been no grievances regarding the marketing and labeling of the Company's products because the customer owns the design and the Company only follows whatever design was provided. However, there have been a few isolated cases of complaints regarding the product quality. All of which were promptly dealt with.	*Consistent communication with customers is in place to discuss issues and product improvements. Issues are resolved and CPAR (Corrective and Preventive Action Report) is communicated to customers to assure them that all issues are properly dealt and a long-term plan is in place to manage the risk of reoccurrence.* *Follow applicable customer quality assurance policies and other customer requirements.* *Simultaneously ensure compliance to internal quality assurance policies that is at par or even better than the customers.*
What are the Risk/s Identified?	**Management Approach**
Persistent unresolved customer complaints could damage the Company's reputation for producing	*The Company keeps a record of all customer complaints for future review reference to*

high-quality products, potentially leading to customer loss and a decrease in revenue-generating capability.	*identify recurring issues and evaluate the effectiveness of the corrective and preventive action plans implemented.*
What are the Opportunity/ies Identified?	**Management Approach**
The company's identity as a well-known producer of quality products may be used in marketing and advertising to bolster revenue.	*The company capitalizes on its reputation as a renowned producer of quality products by leveraging it in marketing and advertising campaigns to boost revenue. Additionally, it pursues opportunity to improve efficiency and reduce rejection rates by upgrading machinery and facilitating continuous skill development among employees.*

Customer privacy

Disclosure	Quantity	Units
No. of substantiated complaints on customer privacy*	NA	#
No. of complaints addressed	NA	#
No. of customers, users and account holders whose information is used for secondary purposes	NA	#

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Considering no complaints were received related to customer privacy, the impact on the company is negligible.	*The Company regularly reviews and strictly implements policies set forth to preserve data security.*
What are the Risk/s identified?	Management Approach
Incidents of data breaches may result in a loss of confidence by stakeholders, dissuading them from being associated with the Company.	*The Company strictly implements the policies and best practices related to data privacy.*
What are the Opportunity/ies identified?	Management Approach

Periodically review, update, and improve the data privacy policies and practices.	*Management shall periodically review, update, and improve the Company's data privacy policies and practices to ensure compliance with Data Privacy Law and regulations.*

Data Security

Disclosure	Quantity	Units
No. of data breaches, including leaks, thefts and losses of data	0	Incidents

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
The Company protects the data of all company stakeholders by implementing IT controls and secured archives for physical documents. Access to files and documents is also restricted to authorized employees and employees are trained to handle data with utmost confidentiality. *The company remains trusted by stakeholders because it has a high regard for data security.*	*The Company regularly reviews and strictly implements policies set forth to preserve data security.*
What are the Risk/s Identified?	**Management Approach**
Incidents of data breaches may result in a loss of confidence by stakeholders, dissuading them from being associated with the Company.	*The Company strictly implements the policies and best practices related to data privacy.*
What are the Opportunity/ies Identified?	**Management Approach**
Periodically review, update, and improve the data privacy policies and practices	*Management shall periodically review, update, and improve the Company's data privacy policies and practices to ensure compliance with Data Privacy Law and regulations*

UN SUSTAINABLE DEVELOPMENT GOALS

Product or Service Contribution to UN SDGs

Key products and services and its contribution to sustainable development.

Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
Manufacturing of corrugated boxes, and other paper-based packaging products. *Lease of land, facility, machineries and equipment.*	*Taking into account the nature and size of Operations, the Company has negligible societal value/contribution to UN SDGs.*	*Taking into account the nature and size of Operations, the Company has negligible potential negative impact of contribution to UN SDGs.*	*The Company adheres to good business practices and strives to achieve sustainable development where relevant.*

** None/Not Applicable is not an acceptable answer. For holding companies, the services and products of its subsidiaries may be disclosed.*