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 2020**

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 or Amount of Debt Outstanding
Common Shares	**1,418,821,081**

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 [ ]

The aggregate market value of voting stocks held by non-affiliates is Php40,386,613.28 computed on the basis of the average share price as of the 3rd quarter of 2006[1] of Php0.26 per common share.

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[1] *There were no transactions in the 4th quarter of 2006. Effective July 6, 2006, the Philippine Stock Exchange implemented a temporary trading suspension on the Company's shares.*

PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

(A) Description of Business

Steniel Manufacturing Corporation (the "**Company**") was incorporated in 1963. On September 11, 2013, the Securities and Exchange Commission ("**SEC**") approved the extension of the corporate term of the Company for another 50 years.

The Company has the following subsidiaries (the Company and its subsidiary hereinafter referred to as the "**Steniel Group**"):

Name of Subsidiary	Date of Registration	SEC Registration No.
STENIEL MINDANAO PACKAGING CORPORATION*	June 30, 1995	AS095-006250
STENIEL CAVITE PACKAGING CORPORATION	Oct. 21, 1993	AS093-8725

**Registration of the transfer of shares to the Company currently pending with BIR.*

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

Pursuant to the restructuring of the Company's loans in 2010 as discussed in Section 1.H of this report, the Company's remaining unissued shares of 123,817,953 shares were issued to Roxburgh Investment Limited ("**Roxburgh**") to reduce the Company's outstanding debts. As a result, Roxburgh owned 12.3818% of the Company.

On January 18, 2012, the shareholders of Steniel Netherlands 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. Under the agreement, Right Total shall purchase up to 100% of the issued and outstanding shares of Steniel Netherlands. Following the closing of the sale on March 29, 2012, Right Total became the owner (through Steniel Netherlands) of 72.0849% shares of the Company.

On January 25, 2012, the Company received a tender offer report from Right Total on its offer to purchase 27.92% shares of the minority investing public. A total of 2,115,692 common shares were tendered and accepted by Right Total.

On March 2, 2012, the SEC issued a Certificate of Merger to Steniel Cavite Packaging Corporation ("**SCPC**"), Metroplas Packaging Products Corporation, Metro Paper and Packaging Products, Inc. and Steniel Cartons Systems Corporation, with SCPC as the surviving corporation.

On December 27, 2013, the Company sold its entire ownership, consisting of 9.25 million common shares, of Steniel Mindanao Packaging Corporation ("**SMPC**").

In 2016, the Board of Directors and stockholders of each of SCPC and Treasure Packaging Corporation (**"TPC"**) approved the merger of SCPC and TPC, with SCPC as surviving company.

On January 10, 2017, the SEC approved the reduction in the authorized capital stock of SCPC from ₱300,000,000.00 to ₱30,000,000.00. The reduction in the authorized capital stock is preparatory to the filing with the SEC of an application for quasi-reorganization to wipe out the deficit of SCPC.

On May 30, 2018, the application for merger between SCPC (the surviving entity) and TPC was approved by SEC.

On June 26, 2019, the Board of Directors of the Company approved the reacquisition of SMPC through a share swap transaction wherein all stockholders of SMPC will exchange their shares in SMPC for shares in the Company. The Board of Directors likewise approved the conversion of the loans of Greenkraft Corporation and Roxburgh to the Company into equity in the Company. In order to cover the shares that will be issued for these transactions intended to address the negative capital of the Company, the Board of Directors approved the increase of the authorized capital stock from ₱1,000,000,000.00 to ₱2,000,000,000.00. These were approved by the stockholders of the Company during the annual stockholders' meeting held on July 17, 2019.

On October 7, 2020, Greenkraft Corporation, Golden Bales Corporation, Corbox Corporation, Rex Chua, and Clement Chua ("**Buyer Group**") collectively entered into a Share Purchase Agreement with Steniel Netherlands to acquire 649,908,308 common shares of the Company representing 64.99% ownership thereof. The Buyer Group likewise made a tender offer for all the outstanding securities of the remaining stockholders of the Company, excluding the remaining 70,940,604 common shares of Steniel Netherlands not included in the Share Purchase Agreement, in compliance with the Tender Offer Rules of the Securities Regulation Code and its Implementing Rules and Regulations. A total of 11,780,533 common shares were tendered and accepted by the Buyer Group. The shares subject of the Share Purchase Agreement and the tender offer will be registered in the names of the buyers upon issuance of the relevant Certificates Authorizing Registration of the Bureau of Internal Revenue.

On 29 December 2020, the SEC approved the increase of authorized capital stock of the Company from ₱1,000,000,000.00 to ₱2,000,000,000.00 resulting to the issuance of additional 418,821,081 common shares, thereby increasing the Company's outstanding capital stock to 1,418,821,091 common shares. The increase was partly subscribed by a share swap transaction wherein the Company reacquired SMPC in exchange for unissued shares of the Company issued to the then shareholders of SMPC.

(B) Nature of Business

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 shares of stocks are listed for trading at the Philippine Stock Exchange Inc. (PSE).

On September 11, 2013, the SEC approved the Amended Articles of Incorporation (AOI) of the Parent Company, extending the corporate life for another fifty (50) years from September 13, 2013.

On February 20, 2019, the President of the Philippines signed into law the Republic Act No. 11232 or the Revised Corporation Code of the Philippines (Revised Code). The Revised Code expressly repeals Batas Pambansa Blg. 68 or the Corporation Code of the Philippines. Section 11 of the Revised Code states that a corporation shall have perpetual existence unless the articles of incorporation provides otherwise. Corporations with certificates of incorporation issued prior to the effectivity of this Revised Code, and which continue to exist, shall have perpetual existence, unless the corporation, upon vote of its stockholders representing a majority of its outstanding capital stock, notifies the SEC that it elects to retain its specific corporate term pursuant to its articles of incorporation: Provided, that any change in the corporate term under this section is without prejudice to the appraisal right of dissenting stockholders in accordance with the provisions of this Revised Code. The Revised Code took effect on February 23, 2019.

Following a decision made by the 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.

The ultimate parent of the Group is Steniel (Netherlands) Holdings B.V. (SNHBV), incorporated in the Netherlands and is the registered owner of 82.2716% of the shares of the Group. 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 Parent Company totaling 123,818,000 shares were issued to Roxburgh Investment Limited (Roxburgh) to reduce the Parent Company's outstanding debts (Notes 15 and 18). 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 is now 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 to purchase the 279,151,088 shares of minority investing public or 27.92% of the total issued shares at a price of P0.0012 per share or an aggregate price of P334.9 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 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%

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. SNHBV owns 5% ownership with STN after registration of the sale and tender offer.

As at May 28, 2021, the transfer of shares from SNHBV to the Buyers from the tender offer are pending registration with the Bureau of Internal Revenue (BIR).

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

	Percent of Ownership	
	2020	2019
Steniel Cavite Packaging Corporation (SCPC)*	100	100
Steniel Mindanao Packaging Corporation (SMPC)**	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.*

SCPC and TPC

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.

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, Manduae City, Cebu, Philippines.

On June 15, 2016 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 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.

SMPC

Steniel Mindanao Packaging Corporation (the "Company") was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) 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 99.99% of its ownership or 9,249,995 common shares in SMPC to various entities and individuals. In 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 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 Parent Company's increase in authorized capital stock on the same day (Note 18).

As at December 31, 2020, SMPC is a wholly owned subsidiary of the Parent Company.

The registered address which is also its principal place of business of SMPC is located at Km. 25 National Highway, Bunawan District, Davao City.

As at December 31, 2020, the operating subsidiaries of the Company are SCPC and SMPC. SCPC is primarily engaged in the manufacturing, processing and selling of all kinds of paper products, paper boards and corrugated carton containers, and lease of properties. Operations of SCPC were limited only to leasing of properties in 2016. SMPC is primarily engaged in the business of manufacturing, importing, buying, selling or otherwise dealing in, at wholesale and retail, all kinds of paper, paper rolls, paper boards, cartons, containers, packaging materials and other pulp and paper products.

(C) 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.

(D) Total Number of Employees

The Steniel Group has a total of one (1) employee as at December 31, 2020.

(E) Patents, Trademarks Copyrights and Licenses

Not applicable.

(F) New Products and Existing or Probable Government Approval for Products or Services

Not applicable.

(G) Cost and Compliance with Environmental laws

The Steniel Group adopts a proactive approach in respect of environmental laws. All its facilities were constructed with high standards and in compliance with the basic requirements of existing environmental regulations. It is not feasible at the moment to determine the incremental cost of additional compliance with new regulations, if there are any.

(H) Bankruptcy, Receivership or Similar Proceedings

As discussed in Note 1 – General information/Status of Operations in the Notes to Consolidated Financial Statements, due to the working capital drain experienced by the Steniel Group as a result of prior debt service payments and the difficult business and economic conditions during the period, the Steniel Group found it difficult to make further payments of its bank debts while at the same time ensuring continued operations. On May 24, 2006, the lenders declared the Company in default for failure to meet its quarterly principal amortizations and interest payments since March 2004.

In November 2007, the Company including certain subsidiaries and an associate separately filed individual Petitions for Rehabilitation with the respective Regional Trial Courts to ensure recovery and address liquidity.

On July 7, 2008, the Regional Trial Court ("**RTC**") in Cavite issued an Order dismissing the Petition and lifting the Stay Order based on the comments filed by the creditors as to the deficiencies in the Rehabilitation Plan filed by the Company. Consequently, on August 19, 2008, the Company appealed the RTC Order to Court of Appeals but such appeal was denied. The Company filed a petition for review with the Supreme Court, which denied the petition on June 17, 2009, and subsequently, the motion for reconsideration on October 14, 2009.

In 2009, discussions commenced with the major creditors/lenders to restructure the outstanding loans. On October 15, 2010, the Company and the creditors/lenders signed an Amended and Restated Omnibus Agreement (the "**Amended Agreement**"). The essential elements of the Amended Agreement are summarized below:

- Restructuring of outstanding principal and accrued interest expense as of September 30, for twenty-five (25) years.
- Conditional waiver of penalty and other charges upon the faithful performance by the Company of the terms of restructuring.
- Reduction of the outstanding principal and accrued interest expense as of September 30, 2010 via *dacion en pago* or sale of the following properties: (a) all outstanding common and preferred shares of stock held by the Company in Steniel Land Corporation ("**SLC**"); (b) identified idle assets of SMC and its subsidiaries; and (c) 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 ninety-two (92) consecutive quarterly installments starting in January 2013.
- The outstanding portion of the accrued interest after equity conversion shall be paid in forty (40) consecutive quarterly installments starting after year fifteen (15) from the date of restructuring.
- Restructured outstanding principal will be subject to interest of 6% *per annum* for fifteen (15) years and 8% *per annum* on the sixteenth (16^{th}) year.
- The restructured accrued interest expense 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 Steniel 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 Steniel Group; and
- Other conditions include:
    a. Lenders representative to be elected as director in SMC and in each of its subsidiaries.

b. A five (5)-year Business Plan for SMC's operating subsidiary including the execution of raw material supply contracts.
c. A merger, reorganization or dissolution of certain subsidiaries in line with the Business Plan.
d. No dividend declaration or payment until the restructured obligations is fully paid.
e. No new borrowing, unless with consent of the lenders.
f. No repayment or prepayment of any debt or obligation (other than operational expenses), unless with consent of the lenders.
g. Creditors' consent for change in material ownership in the Steniel Group and mortgagors.
h. Standard covenants, representations and warranties.

The *dacion en pago* of the Steniel Group's idle machines and the equity conversion through the issuance of the Company's capital stocks have been completed as at December 31, 2010 and which resulted to a gain on disposal of property and equipment amounted to Php30.3 million. The *dacion en pago* transaction reduced outstanding principal amount by Php122 million while the equity conversion reduced outstanding accrued interest by Php248 million. The *dacion en pago* of the SCPC building, with a value of ₱99.1 million, was completed in 2014. With regard to the *dacion of the shares* in SLC, in 2012, the Certificates Authorizing Registration were issued in relation to the transfer to Greenkraft of 1,749,500 common shares and 11,820 preferred shares in SLC. The Certificate Authorizing Registration covering the transfer of 727,050 preferred shares in SLC held by SCPC is currently being processed.

The change in management in early 2012 generally caused the delay in the implementation of the *dacion en pago*. The installment payment of outstanding principal based on the Amended Agreement above is also expected to be adjusted.

On December 2, 2011, the major creditors/lenders agreed to waive the payment of interest for the first 2 years of the loan commencing of the restructuring date, to correspond to the principal repayment as stated in the Amended Agreement. Hence, interest payments on each interest payment date shall be made in accordance with the Amended Agreement but shall commence on the 27th month after the restructuring date, inclusive of a 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 December 2014, lenders under the Amended Agreement agreed to the following repayment:

(a) two (2)-year grace period on the payment of interest or until December 31, 2014;
(b) quarterly payments of the principal amortization to commence on March 31, 2015 for a period of twenty-five (25) years; and
(c) reduction of interest rates from 6% to 2% per annum on the first two (2) years, 3% per annum on the third and fourth years and 4% per annum from the fifth year until full repayment of the loan.

Creditors further agreed to waive the accruing interest charges until December 31, 2020.

There are no known trends, events or uncertainties that will have a material impact on the Steniel Group's future operations except those that have already been disclosed in the foregoing. There are no other sources of revenue or income that are not ordinary in nature.

(I) 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 8 - Non-current assets held for sale in the Notes to the Consolidated Financial Statements, the Company reclassified certain remaining assets and shares of stocks in an associate 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 if their carrying amount is recovered primarily through as sale transaction rather than continuing use as at December 31, 2016.

(J) Cost of Research and Development Activities

Not applicable.

(K) Major Risks and Management of the Risks

The Company and the creditors/lenders signed the Amended Agreement on October 15, 2010 which restructured the Company's loans and addressed the default situation. The essential provisions of the Amended Agreement are discussed in detail in Item 1(H) above and in Note 1 – General information/Status of operations, in the Notes to Consolidated Financial Statements.

Please refer also to Note 20 - Financial risk management, of the Notes to Consolidated Financial Statements for additional discussions.

Item 2. Properties

Please refer to Note 8 – Non-current assets held for sale, Note 9 – Property and equipment, and Note 10 – Available-for-Sale Financial Assets of the Notes to Consolidated Financial Statements for the table of properties.

The Steniel Group's building and building improvements, leasehold improvements and machinery and equipment are mortgaged to secure the payment of long-term debts under mortgage trust indentures. Consequent to the loan restructuring (please refer to Item 1(H) in the preceding), the *dacion en pago* of the Steniel Group's idle machines and building had been completed as at December 31, 2010 and September 30, 2014 respectively, thereby reducing outstanding principal amount by Php222 million. Furthermore, the dacion en pago relating to the Group's shares in SLC has a total value of Php190.0 million. In 2012, certain certificates authorizing registration were issued. The remaining assignment of shares is still for finalization with buyers and this is expected to be completed in 2021.

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

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

PART II - OPERATIONAL AND FINANCIAL INFORMATION

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

(1) Market Price

The company's common shares are listed on The Philippine Stock, Inc. ("**PSE**"), and a summary of the high and low share prices by quarter for the 3-year period ended December 31, 2006 is as follows:

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
2003 - high	0.100	0.140	0.200	0.210
- low	0.100	0.110	0.120	0.130
2004 - high	0.180	0.150	0.150	0.150
- low	0.130	0.100	0.100	0.120
2005 - high	0.260	0.180	0.150	0.150
- low	0.120	0.125	0.110	0.110
2006 - high	0.780	0.600	0.260	No transaction
- low	0.110	0.200	0.250	

The PSE has implemented a temporary trading suspension on the Company's shares following a disclosure dated July 5, 2006 relative to the authorization granted by the shareholders of the Company to enter into rehabilitation proceedings.

As discussed earlier in Section 1.B of this report, the Company received a tender offer report from Right Total on January 25, 2012, to purchase 27.92% shares of the minority stockholders. A total of 2,115,692 common shares were purchased by Right Total from tendering stockholders.

(2) Holders

As of December 31, 2020, the top twenty (20) stockholders of the Company are the following:

	Name	**Citizenship**	**No. of shares**	**%**
1	Steniel (Netherlands) Holdings B.V.[2]	Dutch	720,848,912	50.81%
2	Roxburgh Investments Limited	BVI	261,910,502	18.46%
3	Greenkraft Corporation	Filipino	101,237,482	7.14%
4	Corbox Corporation	Filipino	80,775,000	5.69%
5	Golden Bales Corporation	Filipino	80,775,000	5.69%
6	PCD Nominee Corporation	Filipino	72,111,134	5.08%
7	Valmora Investment & Management Corporation	Filipino	10,443,860	0.74%
8	Clement Chua	Filipino	8,966,025	0.63%
9	Rex Chua	Filipino	8,966,025	0.63%
10	Rustico and/or Lolita Garingan	Filipino	2,097,276	0.15%
11	Delfin R. Maceda	Filipino	1,980,000	0.14%
12	Calvin C. Chua	Filipino	1,828,500	0.13%

[2] On October 7, 2020, Greenkraft Corporation, Golden Bales Corporation, Corbox Corporation, Rex Chua, and Clement Chua ("**Buyer Group**") collectively entered into a Share Purchase Agreement with Steniel Netherlands to acquire 649,908,308 common shares of the Company. The transfer of the shares shall be registered in the names of the Buyer Group upon issuance of the relevant Certificates Authorizing Registration by the Bureau of Internal Revenue.

13	Tower Securities Inc.	Filipino	1,685,333	0.12%
14	AB Capital Securities Inc.	Filipino	1,490,886	0.11%
15	Sally C. Ong Pac	Filipino	1,450,000	0.10%
16	PCD Nominee Corporation	Non-Filipino	1,398,578	0.10%
17	Leornardo T. Siguion-Reyna	Filipino	1,151,839	0.08%
18	Ella C. Santiago and/or Manuel A. Santiago	Filipino	1,100,000	0.08%
19	Christopher Chua	Filipino	1,000,000	0.07%
20	Eastern Securities Development Corporation	Filipino	954,505	0.07%

The Company's securities consist of outstanding common shares.

As of December 31, 2020, the Company has a public float level of 10.12%.

(3) Dividends

The Company has not declared any dividends on its shares in the four most recent fiscal years and any subsequent interim period for which financial statements is required to be presented by SRC Rule 68.

The By-Laws of the Company state that dividends shall be declared and paid out of the unrestricted retained earnings which shall be payable in cash, property, or stock to all stockholders on the basis of outstanding stock held by them, as often and at such times as the Board of Directors may determine in accordance with law and applicable rules and regulations.

Pursuant to its By-Laws, the board of directors of the Company has the power to determine whether any part of its surplus profits available for declaration as dividends shall be declared as dividends, subject to the provisions of law, and to provide that the dividends thus declared shall be applied in payment of new shares to be issued to the stockholders entitled to said dividends, which new shares shall be taken out of the authorized and unissued capital stock of the Company, unless said stockholders advise the Company in writing that they opt to have said dividends paid in cash.

(4) Recent Sales of Unregistered Securities

Pursuant to the increase in the Company's authorized capital stock from ₱1,000,000,000.00 to ₱2,000,000,000.00 which was approved by the SEC on December 29, 2020, the Company issued a total of 418,821,081 common shares to various entities and individuals as a result of a share swap transaction and debt-to-equity conversion, as follows:

A. Share Swap Transaction

Name	No. of Shares
Greenkraft Corporation	89,767,950
Corbox Corporation	80,775,000
Golden Bales Corporation	80,775,000
Rex Chua	8,966,025
Clement Chua	8,966,025
TOTAL	269,250,000

B. Debt to Equity Conversion

Name	No. of Shares
Greenkraft Corporation	11,469,532
Roxburgh Investment Limited	138,092,549
TOTAL	149,562,081

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

Consolidated revenues for the current year totaled Php40 million mainly generated from the leasing of machineries and equipment in Davao. The gross profit margin for the current period is 99.99%, which is higher than last year's margin of 82.69%.

Operating expenses during the current year posted Php 5.788 million as compared to last year of P5.344 million.

Other income generated amounting to Php 168,059 million including the provisional gain on acquisition of SMPC at Php 158.265 million on account of the business combination, reversal of allowance for impairment of prepaid taxes to Php 7.993 million ,dividends received and the gain on sale of AFS Financial assets posted a revenue of Php 1.801 million as compared to Php 2.373 million total other income in 2019.

Income tax expense applicable to the current year amounting to ₱10.966 million against Php 14.403 million in 2019.

Overall, the Company ended the year 2020 with a consolidated net income for the current year of Php 201.922 million as compared to consolidated net income of Php 12.129 million last year. The increase in net income was attributable to the provisional other income derived from the business combination which is expected to be final within the year.

There are no financing charges recognized during the current year with the same support extended by the creditors in 2019.

Financial Position

Total current assets as at December 31, 2020, totaled Php 1,286,310 million as compared with Php 287,841 million in 2019. The increase was mainly due to consolidation of assets of SMPC. While the same applies to increase in total non-current assets totaled Php 453,133 million as at current year-end against last year's Php 52,415 million..

The Steniel Group's consolidated current liabilities as at current year-end totaled Php 1,150,373 million as compared with those in 2019 of Php 226,859 million. The increase was contributed by the loans carried by SMPC for its working capital.

Total assets as at year-end 2020 totaled Php 1,739,443 million compared to Php 340,256 million in 2019. In view of the foregoing discussions, the Steniel Group's current ratio during the year recorded at 1.12 and last year's at 1.27. Debt-to-equity ratio in 2020 is 2.01.

Plans and Strategies

The Management believes that the Group's ability to continue operating as a going concern depends on the full implementation of the restructuring plan which is expected to be completed within the year. As part of management plan, with the business combination and debt equity conversion coupled by continuous support of the stakeholders, the company will get back to its core business to be 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 2020 consolidated audited financial statements of the Company are attached as **Annex C**.

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

There are no changes in or disagreements between the Company and the accountants on matters of accounting and financial disclosure.

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

The term of office of directors of the Company is one (1) year. As of December 31, 2020, the directors and executive officers of the Company were:

Directors	Age	Position and Term of Office
Nixon Y. Lim	50	Chairman/President & CEO
Mark O. Vergara	55	Director
Eliza C. Macuray	62	Director and Treasurer
Esteban C. Ku	54	Director
Kenneth George D. Wood	62	Lead Independent Director
Adam Anthony S. Cabe III	43	Independent Director
Rhea M. Alarcon	49	Independent Director

(1) Board of Directors

Nixon Y. Lim

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 is a senior partner of the firm Martinez Vergara Gonzalez & Serrano. 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 and Corporate Secretary of Chroma Philippines, Inc., Pacific Harbor Investment Holdings

Phils., Inc., Pebble Beach Properties, Inc., and MV Holdings Inc. He is also a director of ExlService Philipppines, Inc., and Prime Solutions and Consultancy, Inc. Mr. Vergara is the Corporate Secretary of Citicorp Financial Services and Insurance Brokerage Philippines, Inc., Citifinancial Holdings, Inc. and Green Siam Resources Corporation.

Eliza C. Macuray

Ms. Macuray received her Bachelor of Science in Commerce, major in Accounting, from Arellano University. Prior to her joining Container Corporation of the Philippines, her previous work experience was with United Pulp and Paper Co., Inc. for more than 2 decades, where she gained her extensive 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 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 1982 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.

Kenneth George D. Wood

Mr. Wood received his Bachelor of Science in Commerce, Major in Accounting, graduating with *Magna cum Laude* honors. He has been a certified public accountant since 1981. He has advised investors extensively on taxation aspects of doing business in the Philippines, especially at the Clark Special Economic Zone. He was previously the Head of the Raw Materials Department and Cost Accountant for Container Corporation of the Philippines and Officer-in-Charge of the Management Information Systems Department of the Clark Development Corporation.

Adam Anthony S. Cabe III

Mr. Cabe is an associate of the firm Carpio & Duterte. He received his Bachelor of Laws degree from the Arellano University School of Law and his Bachelor of Science in Management, Major in Entrepreneurship from San Beda College in 1998. He was admitted to the Philippine Bar in 2016. He served the government for more than eight (8) years as an executive staff of the Government Service Insurance System and Presidential Commission for Good Governance.

Rhea M. Alarcon

Rhea M. Alarcon, 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.

(2) Executive Officers

The business experience of Mr. Lim, President and CEO, and Ms. Macuray, Treasurer, are provided above.

The Company considers the efforts of its directors, officers and employees to be the driving factor behind the success of its business operations, and generally regards all such individuals to be significant officers and employees.

(3) Involvement in Legal Proceedings

Except as otherwise disclosed herein, the Company is not aware of: (a) any bankruptcy petition filed by or against any business of which any director or executive officers was a general partner or executive officer either at the time of bankruptcy or within two (2) years prior to that time; (b) any conviction by final judgment of any director or senior executive in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, of any director, executive officer or person nominated to be a director; (c) any director or senior executive being subject to any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting such director's or executive officer's involvement in any type of business, securities, commodities or banking activities.

Item 10. Executive Compensation

SUMMARY COMPENSATION TABLE

Please refer to the table below for a summary of the compensation received by the following executive directors: (a) Nixon Y. Lim – President and CEO, and (b) Eliza C. Macuray – Treasurer:

Aggregate Amount of Salaries and Bonuses				
Year	Salary	Bonus	Other Compensation	TOTAL
2019	1,142,328.00	0	0	1,142,328.00
2020	_884,000.00	0	0	884,000.00
2021 (est.)	2,500,000.00	0	0	2,500,000.00

No other directors and executive officers are receiving compensation.

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. However, directors may receive per diem allowances for their attendance at meetings of the board of directors.

The executives are engaged under standard terms and conditions and can be terminated for appropriate cause. These standard terms and conditions are based on what is required by the law. The standard terms and conditions include, among others: (a) a monthly basic salary including any sum receivable as director's fees or other remuneration from any subsidiary; (b) a monthly office subsidy fund; (c) reimbursement for all reasonable expenses properly incurred in the course of his employment; (d) deductions, to the extent permitted by Philippine Labor Laws, from the executive's remuneration of moneys due from him to the Company or any subsidiary. The following is a summary of the benefits received by the executives of the Company:

COMPANY CAR : Eligibility to enroll in the company car plan program or its cash equivalent.

VACATION LEAVE	:	Twelve (12) days per year with carry over of unused to the next year. Unused balances convertible to cash up to a maximum of seven (7) days annually.
SICK LEAVE	:	Fourteen (14) days per year. Unused balances convertible to cash.
LIFE INSURANCE	:	Twenty four (24) months pay with AD & D provision subject to existing plan terms and condition.
HOSPITALIZATION	:	Based on applicable/existing Company health insurance policy.
PERFOMANCE BONUS	:	0 to 50% of annual pay as determined by the Board on company's overall performance goals.
STOCK OPTION	:	Eligibility to contribute to the management incentive share purchase plan.

The standard terms and conditions in the executive employment contracts also include provisions on vacation leave with full pay, provisions on confidentiality of any trade secrets or confidential information relating to or belonging to the Company or any subsidiary, and with respect to post-termination obligations on the part of the executive, provisions on non-competition, non-solicitation of customers, and non-solicitation of employees.

None of the directors, executive officers of the Company or persons nominated to the board of directors are related up to the 4th civil degree.

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

(1) Security Ownership of Certain Record and Beneficial Owners

As of December 31, 2020, the stockholders holding more than 5% of the outstanding stock of the Company were:[3]

Title of class	Name, address of record owner and relationship with issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent
Common Shares	Steniel (Netherlands) Holdings B.V. Strawinskylaan 3105 Atrium, 1077 ZX Amsterdam, The Netherlands (Registered Shareholder)	record and beneficial	Dutch	720,848,912 (R)	50.81%
Common Shares	Roxburgh Investments Limited P.O. Box 957 Offshore Incorporations Center Road Town, Tortola British Virgin Islands (Registered Shareholder)	record and beneficial	BVI	261,910,502 (R)	18.46%
Common Shares	Greenkraft Corporation W. Ng Bldg., MacArthur Highway cor. Rovimar St., Brgy. Balibago, Angeles, Pampanga	record and beneficial	Filipino	101,237,482 (R)	7.14%
Common Shares	Corbox Corporation Purok Gemelina, Tayud, Lilo-an, Cebu	record and beneficial	Filipino	80,775,000 (R)	5.69%
Common Shares	Golden Bales Corporation Km. 14 After Panacan Substation,	record and beneficial	Filipino	80,775,000 (R)	5.69%

[3] Based on records of the stock transfer agent, Stock Transfer Service, Inc. (list of top 100 stockholders as of December 31, 2020)

	Panacan, Davao City, Davao del Sur				
Common Shares	PCD Nominee Corporation[4] 6th Flr. Makati Stock Exchange, 6767 Ayala Ave., Makati City (Registered Shareholder)	Philippine Central Depository, Inc.'s Various Participants	Filipino	72,111,134 (R)	5.08%

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

(2) Security Interest of Directors and Management

As of December 31, 2020, the security interest of directors and management is as follows:

Name and Address of Owner	Title of Class	Amount and Nature of Beneficial Ownership	Citizenship	Percent of Class
Nixon Y. Lim	Common	1 (R)	Filipino	nil
Mark O. Vergara	Common	1 (R)	Filipino	nil
Eliza C. Macuray	Common	1 (R)	Filipino	nil
Esteban C. Ku	Common	1 (R)	Filipino	nil
Kenneth George D. Wood	Common	1 (R)	Filipino	nil
Adam Anthony S. Cabe III	Common	1 (R)	Filipino	nil
Rhea M. Alarcon	Common	1 (R)	Filipino	nil
Directors and officers as a group		7		

(3) Changes in Control

On October 7, 2020, the Buyer Group entered into a Share Purchase Agreement with Steniel Netherlands to acquire 649,908,308 common shares of the Company representing 64.99% ownership thereof. The Buyer Group likewise made a tender offer for all the outstanding securities of the remaining stockholders of the Company, excluding the remaining 70,940,604 common shares of Steniel Netherlands not included in the Share Purchase Agreement, in compliance with the Tender Offer Rules of the Securities Regulation Code and its Implementing Rules and Regulations. A total of 11,780,533 common shares were tendered and accepted by the Buyer Group, bringing up their cumulative control to 66.17% of the Company. The shares subject of the Share Purchase Agreement and the tender offer will be registered in the names of the buyers upon issuance of the relevant Certificates Authorizing Registration of the Bureau of Internal Revenue.

On 29 December 2020, the SEC approved the increase of authorized capital stock of the Company from ₱1,000,000,000.00 to ₱2,000,000,000.00. Subscription to the increase was paid by way of a share swap transaction, wherein the stockholders of SMPC (the Buyer Group) swapped their shares in SMPC for equity in the Company, and a debt-to-equity conversion, where the loans of Greenkraft Corporation and Roxburgh were converted into equity in the Company. With the completion of these transactions, the cumulative control of the Buyer Group stands at 66.42% of the Company.

[4] PCD Nominee Corporation is a wholly-owned subsidiary of the Philippine Central Depository, Inc. ("PCD"). It is the registered owner of the shares in the books of the Company's stock and transfer agent. The beneficial owners of such shares are PCD's participants, who hold the shares on their own behalf or on behalf of their clients. PCD is a private company organized by major institutions actively participating in Philippine capital markets to implement the automated book-entry system of handling securities transactions in the Philippines.

Item 12. Certain Relationships and Related Transactions

Transactions with related parties in the day-to-day course of business include inter-company[5] sale and/or transfer of inventories and equipment. Related party transactions are always at arm's-length. Please refer also to Note 13 - Related party transactions of the Notes to the Consolidated Financial Statements.

PART IV – CORPORATE GOVERNANCE

Item 13. Corporate Governance

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 Securities and Exchange Commission. 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. The Board and Management continually seeks to enhance compliance with the Manual by undertaking measures to implement policies prescribed under the Manual. There has been no known material deviation from the Manual.

PART V - EXHIBITS AND SCHEDULES

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

(a) Exhibits

Annex	Description of Document
A	Statement of Management's Responsibility for Financial Statements and Confirmation of No Change in Accounting Policies
B	2020 Separate Audited Financial Statements of Steniel Manufacturing Corporation
C	2020 Consolidated Audited Financial Statements of Steniel Manufacturing Corporation
D	Sustainability Report

(b) Reports on SEC Form 17-C (Current Report) filed in 2020

Date	Action Taken
March 16, 2020	COVID-19 Impact Assessment and Preventive Measures
April 29, 2020	Postponement of Annual Stockholders' Meeting due to COVID-19
September 28, 2020	Setting of the Annual Stockholders' Meeting on November 19, 2020 at 2:30 pm via remote communication
October 12, 2020	Receipt of Mandatory Tender Offer Report from the Buyer Group
November 4, 2020	Receipt of PSE's denial of the request for one-time lifting of trading suspension of shares
November 19, 2020	Results of Annual Stockholders' Meeting and Organizational Meeting of the Board of Directors

[5] Pertaining to transactions within the Steniel Group.

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 2021.

Nixon Y. Lim Chairman, President & CEO	**Eliza C. Macuray** Vice President/Chief Financial Officer

Phil Ivan A. Chan
Corporate Secretary

SUBSCRIBED AND SWORN to before me this JUN 01 2021 at Pasig City, affiants exhibiting to me the following:

Name	Valid Identification
Nixon Y. Lim	TIN 117-748-507
Eliza C. Macuray	TIN 100-377-040
Phil Ivan A. Chan	TIN 947-436-639

Doc. No. 214;
Page No. 44;
Book No. I;
Series of 2021.

VICTOR ENRIQUE G. BOLINAO
Appointment No. 196 (2020-2021)
Notary Public
Until December 31, 2021
Attorney's Roll No. 74263
33rd Floor, The Orient Square
F. Ortigas, Jr. Road, Ortigas Center, Pasig City
PTR Receipt No. 7233542; 01.05.21; Pasig City
IBP Receipt No. 137825; 01.05.21; RSM
Admitted to the Bar July 8, 2020

Annex A

STATEMENT OF MANAGEMENT RESPONSIBILITY

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

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of **Steniel Manufacturing Corporation and Subsidiaries** (the **"Company"**) is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended **December 31, 2020 and 2019,** 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.

The Board of Directors (BOD) is responsible for overseeing the Company's financial reporting process.

The BOD reviews and approves the financial statements including the attached schedules therein, and submits the same to the stockholders.

R.G. Manabat & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the Company 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 of the Board/President/CEO

ELIZA C. MACURAY
Chief Financial Officer

SUBSCRIBED AND SWORN to before me this June 1, 2021 at Pasig City, affiants exhibiting to me their validly-issued ID as follows:

Name	Valid ID
Nixon Y. Lim	TIN 117-748-507
Eliza C. Macuray	TIN 100-377-040

Doc. No. 217 ;
Page No. 45 ;
Book No. II ;
Series of 2021.

VICTOR ENRIQUE G. BOLINAO
Appointment No. 196 (2020-2021)
Notary Public
Until December 31, 2021
Attorney's Roll No. 74263
33rd Floor, The Orient Square
F. Ortigas, Jr. Road, Ortigas Center, Pasig City
PTR Receipt No. 7203342; 01.05.21; Pasig City
IBP Receipt No. 137825; 01.05.21; RSM
Admitted to the Bar July 8, 2020

Annex B

SEPARATE FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2020

STENIEL MANUFACTURING CORPORATION

SEPARATE FINANCIAL STATEMENTS
December 31, 2020 and 2019

With Independent Auditors' Report

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

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR ANNUAL INCOME TAX RETURN

The Management of **Steniel Manufacturing Corporation (the "Company")** is responsible for all information and representations contained in the Annual Income Tax Return for the year ended December 31, 2020. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, 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 withholding tax returns and any and all other tax returns.

In this regard, Management affirms that the attached audited financial statements for the year ended December 31, 2020 and the accompanying Annual Income Tax Return are in accordance with the books and records of the Company, 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 Internal Revenue;

(b) any disparity of figures in the submitted reports arising from the preparation of the financial statements pursuant to financial accounting standards (Philippine Financial Reporting Standards) and the preparation of the income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the Company's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances; and

(c) The Company 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 of the Board/President/CEO

ELIZA C. MACURAY
Chief Financial Officer

SUBSCRIBED AND SWORN to before me this June 1, 2021 at Pasig City, affiants exhibiting to me their validly-issued ID as follows:

Name	Valid ID
Nixon Y. Lim	TIN 117-748-507
Eliza C. Macuray	TIN 100-377-040

Doc. No. 218 ;
Page No. 45 ;
Book No. II ;
Series of 2021.

VICTOR ENRIQUE G. BOLINAO
Appointment No. 196 (2020-2021)
Notary Public
Until December 31, 2021
Attorney's Roll No. 74263
33rd Floor, The Orient Square
F. Ortigas, Jr. Road, Ortigas Center, Pasig City
PTR Receipt No. 7233542; 01.05.21; Pasig City
IBP Receipt No. 137825; 01.05.21; RSM
Admitted to the Bar July 8, 2020

Your BIR AFS eSubmission uploads were received

From: eafs@bir.gov.ph

To: stenielmanufacturing@yahoo.com

Cc: elizmacuray@yahoo.com

Date: Monday, 31 May 2021, 11:51 pm GMT+8

Hi STENIEL MANUFACTURING CORPORATION,

Valid files

- EAFS000099128AFSTY122020.pdf
- EAFS000099128RPTTY122020.pdf
- EAFS000099128OTHTY122020.pdf
- EAFS000099128ITRTY122020.pdf

Invalid file

- <None>

Transaction Code: **AFS-0-7DB895GD0NQ1NVZZVMR1XTXS10NNXM1SWX**
Submission Date/Time: **May 31, 2021 11:38 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.

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File Upload

All files successfully uploaded

Transaction Code:
AFS-0-7DB895GD0NQ1NVZZVMR1XTXS10NNXM1SWX

Submission Date/Time:
May 31, 2021 11:38 PM

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Philippines 1226
Telephone +63 (2) 8885 7000
Fax +63 (2) 8894 1985
Internet www.home.kpmg/ph
Email ph-inquiry@kpmg.com

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Steniel Manufacturing Corporation
Gateway Business Park
Brgy. Javalera, General Trias, Cavite

Report on the Audit of the Separate Financial Statements

Opinion

We have audited the separate financial statements of Steniel Manufacturing Corporation (the "Company"), which comprise the separate statements of financial position as at December 31, 2020 and 2019, and the separate statements of comprehensive income, separate statements of changes in equity (capital deficiency) and separate statements of cash flows for the years then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the unconsolidated financial position of the Company as at December 31, 2020 and 2019, and its unconsolidated financial performance and its unconsolidated cash flows for the years then ended in accordance with Philippine Financial Reporting Standard (PFRS).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Separate Financial Statements* section of our report. We are independent of the Company 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 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.

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

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

In preparing the separate 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 its operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 PSA 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 separate financial statements.

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

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our 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 Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate 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 audits 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 communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010 of the Bureau of Internal Revenue

Our audit was conducted for the purpose of forming an opinion on the basic separate financial statements taken as a whole. The supplementary information in Note 20 to the separate financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic separate financial statements. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in our audit of the basic separate financial statements. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic separate financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditors' report is John Molina.

R.G. MANABAT & CO.

JOHN MOLINA
Partner
CPA License No. 0092632
SEC Accreditation No. 92632-SEC, Group A, valid for five (5) years
covering the audit of 2020 to 2024 financial statements
Tax Identification No. 109-916-107
BIR Accreditation No. 08-001987-023-2019
Issued August 7, 2019; valid until August 6, 2022
PTR No. MKT 8533911
Issued January 4, 2021 at Makati City

May 31, 2021
Makati City, Metro Manila

STENIEL MANUFACTURING CORPORATION
SEPARATE STATEMENTS OF FINANCIAL POSITION
(Amounts in Thousands)

		December 31	
	Note	**2020**	2019
ASSETS			
Current Assets			
Cash in banks	*5, 18*	**P3,106**	P1,659
Receivables	*6, 14, 18*	**122**	122
Prepaid expenses and other current assets - net	*7*	**47,063**	44,765
Total Current Assets		**50,291**	46,546
Noncurrent Assets			
Investment in subsidiaries	*8*	**457,820**	-
Property and equipment - net	*9*	**4,771**	5,734
Investments in equity instruments	*10, 18*	**18,375**	20,101
Total Noncurrent Assets		**480,966**	25,835
		P531,257	P72,381
LIABILITIES AND EQUITY (CAPITAL DEFICIENCY)			
Current Liabilities			
Trade payables and other current liabilities	*11, 18*	**P8,648**	P2,297
Due to related parties	*14,18*	**113,148**	111,648
Current portion of borrowings	*1, 12, 14, 18*	**190,000**	190,552
Total Current Liabilities		**311,796**	304,497
Noncurrent Liability			
Borrowings, net of current portion	*1, 12, 14, 18*	**-**	149,010
Total Liabilities		**311,796**	453,507
Equity (Capital Deficiency)			
Capital stock	*13*	**1,418,812**	1,000,000
Additional paid-in capital	*13*	**408,423**	414,632
Net unrealized loss on investments in equity instruments		**(5,856)**	(4,350)
Deficit	*1*	**(1,601,918)**	(1,791,408)
Total Equity (Capital Deficiency)		**219,461**	(381,126)
		P531,257	P72,381

See Notes to the Separate Financial Statements.

STENIEL MANUFACTURING CORPORATION

SEPARATE STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands, except Basic and Diluted Earnings/Loss Per Share)

		Years Ended December 31	
	Note	**2020**	2019
OPERATING EXPENSES	*15*	**(P2,118)**	(P3,740)
OTHER INCOME - Net	*16*	**191,608**	930
NET INCOME (LOSS)		**189,490**	(2,810)
OTHER COMPREHENSIVE LOSS			
Items that will not be reclassified to profit or loss			
Net loss on financial assets at fair value through other comprehensive income	*10*	**(1,506)**	(3,487)
TOTAL COMPREHENSIVE INCOME (LOSS)		**187,984**	(6,297)
BASIC AND DILUTED EARNINGS (LOSS) PER SHARE	*13*	**P0.18906**	(P0.00281)

See Notes to the Separate Financial Statements.

STENIEL MANUFACTURING CORPORATION

SEPARATE STATEMENTS OF CHANGES IN EQUITY (CAPITAL DEFICIENCY)

(Amounts in Thousands)

Years Ended December 31

	Capital Stock (Note 13)	**Additional Paid-in Capital** (Note 13)	**Net Unrealized Gain (Loss) on Investment in Equity Instruments Income** (Note 10)	**Deficit** (Notes 1)	**Total Equity (Capital Deficiency)**
December 31, 2018	P1,000,000	P414,632	(P862)	(P1,788,599)	(P374,829)
Changes in fair value of equity instruments designated at FVOCI	-	-	(3,487)	-	(3,487)
Transfer of fair value reserve of equity instruments designated at FVOCI	-	-	(1)	1	-
Net loss during the year	-	-	-	(2,810)	(2,810)
Total comprehensive loss during the year	-	-	(3,488)	(2,809)	(6,297)
December 31, 2019	1,000,000	414,632	(4,350)	(1,791,408)	(381,126)
Issuance of shares	418,812	(6,209)	-	-	412,603
Changes in fair value of equity instruments designated at FVOCI	-	-	(1,506)	-	(1,506)
Net income during the year	-	-	-	189,490	189,490
Total comprehensive income (loss) during the year	-	-	(1,506)	189,490	187,984
December 31, 2020	**P1,418,812**	**P408,423**	**(P5,856)**	**(P1,601,918)**	**P219,461**

See Notes to the Separate Financial Statements.

STENIEL MANUFACTURING CORPORATION
SEPARATE STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

		Years Ended December 31	
	Note	**2020**	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax		**P189,490**	(P2,810)
Adjustments for:			
Depreciation	*9, 15*	**963**	1,928
Unrealized foreign exchange loss	*16*	**-**	3
Interest income	*5, 16*	**(4)**	(3)
Dividend income	*16*	**(825)**	(930)
Reversal of impairment of prepaid taxes	*7, 16*	**(2,209)**	-
Reversal of impairment of investment in subsidiaries	*8, 16*	**(188,570)**	-
Operating loss before working capital changes		**(1,155)**	(1,812)
Increase in:			
Receivables		**-**	(15)
Prepaid expenses and other current assets		**(89)**	(112)
Increase (decrease) in:			
Trade payable and other current liabilities		**142**	(31)
Due to related parties		**1,500**	5,600
Net cash generated from operations		**398**	3,630
Dividends received	*16*	**825**	930
Interest received		**4**	3
Net cash provided by operating activities		**1,227**	4,563
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of investment in equity instruments		**267**	461
Additions to investment in equity instruments	*10*	**(47)**	(922)
Net cash provided by (used in) investing activities		**220**	(461)
CASH FLOW FROM A FINANCING ACTIVITY			
Payment of borrowings	*12*	**-**	(5,173)
EFFECTS OF FOREIGN EXCHANGE ON CASH IN BANKS		**-**	(3)
NET INCREASE (DECREASE) IN CASH IN BANKS		**1,447**	(1,074)
CASH IN BANKS AT BEGINNING OF YEAR		**1,659**	2,733
CASH IN BANKS AT END OF YEAR		**P3,106**	P1,659

See Notes to the Separate Financial Statements.

STENIEL MANUFACTURING CORPORATION
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
(Amounts in Thousands, Unless Otherwise Indicated)

1. Reporting Entity

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).

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.

On February 20, 2019, the President of the Philippines signed into law the Republic Act No. 11232 or the Revised Corporation Code of the Philippines (Revised Code). The Revised Code expressly repeals Batas Pambansa Blg. 68 or the Corporation Code of the Philippines. Section 11 of the Revised Code states that a corporation shall have perpetual existence unless the articles of incorporation provides otherwise. Corporations with certificates of incorporation issued prior to the effectivity of this Revised Code, and which continue to exist, shall have perpetual existence, unless the corporation, upon vote of its stockholders representing a majority of its outstanding capital stock, notifies the SEC that it elects to retain its specific corporate term pursuant to its articles of incorporation: Provided, that any change in the corporate term under this section is without prejudice to the appraisal right of dissenting stockholders in accordance with the provisions of this Revised Code. The Revised Code took effect on February 23, 2019.

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 the Netherlands and is the registered owner of 82.2716% of the shares of the Company. 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 is now 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 P0.0012 per share or an aggregate price of P334.9 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 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%

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 May 28, 2021, the transfer of shares from SNHBV to the Buyers from the tender offer are pending registration with the Bureau of Internal Revenue (BIR).

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

Debt Restructuring

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 16^{th} 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.

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 P122 million while the equity conversion reduced outstanding accrued interest by P248 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 P290.00 million. In 2012, certain certificates authorizing registration were issued and reduced the total value from P290.00 million to P289.88 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 2021 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.

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 P149.56 million as a result of the debt-to-equity conversion.

Restructuring of Subsidiaries
In 2011, following the provisions in the Amended Agreement, the Company filed a merger application with the SEC to absorb Treasure Packaging Corporation (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, Steniel Cavite Packaging Corporation (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%.

As at December 31, 2020 and 2019, Greenkraft holds 70.77% interest in SLC, while the remaining interest of SCPC is 29.21%.

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 waive interest charges until January 1, 2016. In 2020, 2019 and 2018, the creditors have further waived the annual interest charges.

Status of Operations

The Company has temporarily ceased its principal operations and has incurred recurring losses in prior years resulting to a deficit of P1,601.92 million and P1,791.41 million as at December 31, 2020 and 2019, respectively, resulting in capital deficiency of P381.13 million as at December 31, 2019. 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 P1 billion, divided into one billion common shares to P2 billion, divided into two billion common shares with par value of P1 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 P149.56 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.

2. Basis of Preparation

Statement of Compliance

The separate 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, are issued by the Philippine Financial Reporting Standards Council (FRSC), consist of PFRS, Philippine Accounting Standards (PAS), and Philippine Interpretations.

The separate financial statements as at and for the year ended December 31, 2020 and 2019 were approved and authorized for issuance by the BOD on May 28, 2021.

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.

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 is rounded off to the nearest thousand peso, except when otherwise indicated.

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, except for the changes in accounting policies as explained below.

Adoption of New and Amended Standards and Interpretations

The FRSC approved the adoption of a number of new and amended standards and interpretation as part of PFRS.

The Company has adopted the following amendments to standards and framework starting January 1, 2020 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption of these amendments to standards did not have any significant impact on the Company's separate financial statements.

- *Amendments to References to Conceptual Framework in PFRS* sets out amendments to PFRS, their accompanying documents and PFRS practice statements to reflect the issuance of the revised Conceptual Framework for Financial Reporting in 2018 (2018 Conceptual Framework). The 2018 Conceptual Framework includes: (a) a new chapter on measurement; (b) guidance on reporting financial performance; (c) improved definitions of an asset and a liability, and guidance supporting these definitions; and (d) clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

  Some standards, their accompanying documents and PFRS practice statements contain references to, or quotations from, the International Accounting Standards Committee's Framework for the Preparation and Presentation of Financial Statements adopted by the IASB in 2001 or the Conceptual Framework for Financial Reporting issued in 2010. The amendments update some of those references and quotations so that they refer to the 2018 Conceptual Framework and makes other amendments to clarify which version of the Conceptual Framework is referred to in particular documents.

- *Definition of a Business (Amendments to PFRS 3, Business Combination)*. The amendments narrowed and clarified the definition of a business. The amendments also permit a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a business. The amendments: (a) confirmed that a business must include inputs and a process, and clarified that the process must be substantive and the inputs and process must together significantly contribute to creating outputs; (b) narrowed the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs; and (c) added a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets.

- *Definition of Material (Amendments to PAS 1, Presentation of Financial Statements and PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors*). The amendments refine the definition of what is considered material. The amended definition of what is considered material states that such information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify the definition of what is considered material and its application by: (a) raising the threshold at which information becomes material by replacing the term 'could influence' with 'could reasonably be expected to influence'; (b) including the concept of 'obscuring information' alongside the concept of 'omitting' and 'misstating' information in the definition; (c) clarifying that the users to which the definition refers are the primary users of general purpose financial statements referred to in the Conceptual Framework; (d) clarifying the explanatory paragraphs accompanying the definition; and (e) aligning the wording of the definition of what is considered material across PFRS and other publications. The amendments are expected to help entities make better materiality judgments without substantively changing existing requirements.

<u>Amended Standards Issued but Not Yet Adopted</u>
A number of amended standards and framework are effective for annual periods beginning after January 1, 2020 and have not been applied in preparing the separate financial statements. Unless otherwise indicated, none of these is expected to have a significant effect on the separate financial statements.

The Company will adopt the following amended standards and framework on the respective effective dates:

Effective January 1, 2022

- *Property, Plant and Equipment - Proceeds before Intended Use* (Amendments to PAS 16, *Property, Plant and Equipment*). The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment the proceeds from selling items produced before that asset is available for use. The proceeds before intended use should be recognized in profit or loss, together with the costs of producing those items which are identified and measured in accordance with PAS 2, *Inventories*.

  The amendments also clarify that testing whether an item of property, plant and equipment is functioning properly means assessing its technical and physical performance rather than assessing its financial performance.

For the sale of items that are not part of a company's ordinary activities, the amendments require the company to disclose separately the sales proceeds and related production cost recognized in profit or loss and specify the line items in which such proceeds and costs are included in the separate statements of comprehensive income. This disclosure is not required if such proceeds and cost are presented separately in the separate statements of comprehensive income.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted. The amendments apply retrospectively, but only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the separate financial statements in which the company first applies the amendments.

- *Annual Improvements to PFRS Standards 2018 - 2020*. This Cycle of improvements contains amendments to four standards, of which the following are applicable to the Company:

  - *Fees in the '10 per cent' Test for Derecognition of Financial Liabilities* (Amendment to PFRS 9, *Financial Instruments).* This amendment clarifies that for the purpose of performing the '10 per cent test' for derecognition of financial liabilities, in determining those fees paid net of fees received included in the discounted cash flows, include only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application permitted.

- *Reference to the Conceptual Framework* (Amendment to PFRS 3). The amendments:

  - updated PFRS 3 so that it now refers to the 2018 Conceptual Framework;

  - added a requirement that, for transactions and other events within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or IFRIC 21, *Levies*, an acquirer applies PAS 37 or IFRIC 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and

  - added an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.

  The amendments are effective for business combinations occurring in reporting periods starting on or after January 1, 2022, with earlier adoption permitted.

Effective January 1, 2023

- *Classification of Liabilities as Current or Noncurrent* (Amendments to PAS 1). To promote consistency in application and clarify the requirements on determining whether a liability is current or noncurrent, the amendments:

  - removed the requirement for a right to defer settlement of a liability for at least 12 months after the reporting period to be unconditional and instead requires that the right must have substance and exist at the end of the reporting period;

- clarified that a right to defer settlement exists only if the company complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date; and

- clarified that settlement of a liability includes transferring a company's own equity instruments to the counterparty, but conversion options that are classified as equity do not affect classification of the liability as current or noncurrent.

The amendments apply retrospectively for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted.

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.

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.

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 and receivables 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.

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.

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.

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.

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.

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.

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.

Prepaid Expenses and Other Current Assets
This account comprises prepayments and prepaid items such as 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 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.

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:

	Number of Years
Machinery and equipment	3 - 10
Computer equipment	3 - 5

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.

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.

Impairment of Nonfinancial 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.

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.

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 (RA) 7641 “Philippine Retirement Law” requires the Company to pay a minimum retirement benefits 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.

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.

Additional Paid-in Capital

Additional paid-in capital represents the excess of consideration received over the par value of capital stock.

Retained Earnings (Deficit)

Retained earnings (deficit) represent the accumulated net income or losses, net of any dividend distributions and other capital adjustments

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 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 is recognized when earned.

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. Expense are recognized when incurred.

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.

Foreign Currency Transactions and Translation

Transactions and Balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rate of outstanding monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss under other expenses/income.

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.

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.

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.

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.

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.

4. Use of Judgments, Estimates and Assumptions

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.

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, 2020 and 2019.

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.

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 2020 and 2019. The carrying amounts of other financial assets at amortized cost are as follows:

	Note	**2020**	2019
Cash in banks	*5, 18*	**P3,106**	P1,659
Receivable	*6, 18*	**122**	122
		P3,228	P1,781

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 P4.77 million and P5.73 million as at December 31, 2020 and 2019, respectively (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 P1.84 million as at December 31, 2020 and 2019. Allowance for unrecoverable prepaid taxes amounted to nil and P2.21 million as at December 31, 2020 and 2019, respectively (Note 7).

Allowance for impairment on investment in subsidiaries amounted to P1,559.43 million and P1,748.00 million as at December 31, 2020 and 2019, respectively (Note 8).

No impairment loss was recognized on property and equipment as at December 31, 2020 and 2019 (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, 2020 and 2019 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 17).

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 2020 and 2019.

5. Cash in Banks

Cash in banks earn annual interest at the respective bank deposit rates.

Interest income from cash in banks amounted to P0.004 million and P0.003 million in 2020 and 2019, respectively (Note 16).

6. Receivables

This account consists of advances to employees amounting to P0.122 million as at December 31, 2020 and 2019 (Notes 14 and 18).

7. Prepaid Expenses and Other Current Assets

This account consists of:

	2020	2019
Advances to suppliers	**P1,843**	P1,843
Allowance for impairment loss	**(1,843)**	(1,843)
	-	-
Prepaid taxes	**44,419**	44,419
Allowance for unrecoverable prepaid taxes	**-**	(2,209)
	44,419	42,210
Input value-added taxes	**2,644**	2,555
	P47,063	P44,765

Prepaid taxes was provided with an allowance for impairment amounting to nil and P2.21 million as at December 31, 2020 and 2019.

All impaired balances of prepaid taxes refer to tax certificates considered to be "out-of-period" for tax purposes and therefore cannot be utilized for future income tax obligations. The remaining balance of P44.42 million and P42.21 million as at December 31, 2020 and 2019, respectively, are not considered impaired as this relates to excess tax payments which have no prescription period and the balances are being carried forward annually in the tax returns.

8. Investment in Subsidiaries

As at December 31, 2020 and 2019, this account consists of:

	2020		2019	
Entity	**% of Ownership**	**Amount**	% of Ownership	Amount
SMPC	**100**	**P269,250**	-	P -
SCPC	**100**	**1,748,000**	100	1,748,000
		2,017,250		1,748,000
Allowance for impairment		**(1,559,430)**		(1,748,000)
		P457,820		P -

<u>SCPC and TPC</u>

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 and TPC have been fully provided with allowance for impairment losses. In 2020, the Company has reversed allowance for impairment on investment in SCPC amounting to P188.57 million following management review of SCPC's financial position.

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 P20.00 million. The sale resulted to a loss of P107.66 million 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 13).

As at December 31, 2020, SMPC is a wholly owned subsidiary of the Company.

9. Property and Equipment

The movements and balances of this account are as follows:

	Note	Machinery and Equipment
Cost		**P19,279**
Accumulated Depreciation		
January 1, 2019		11,617
Depreciation	*15*	1,928
December 31, 2019		13,545
Depreciation	*15*	963
December 31, 2020		**14,508**
Carrying Amount		
December 31, 2019		P5,734
December 31, 2020		**P4,771**

Certain fully depreciated property and equipment are still being used by the Company for administrative purposes.

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 2020 and 2019.

These investments were measured at fair value based on quoted prices as at December 31, 2020 and 2019 and are as follows:

	Note	2020	2019
Cost			
Balance at beginning of year		**P24,451**	P23,989
Purchases		**47**	922
Disposal		**(267)**	(460)
Balance at end of year		**24,231**	24,451
Changes in Fair Value			
Balance at beginning of year		**(4,350)**	(862)
Changes in fair value		**(1,506)**	(3,487)
Transfer of fair value reserve within equity instruments designated at fair value		**-**	(1)
Balance at end of year		**(5,856)**	(4,350)
	18	**P18,375**	P20,101

Dividend income recognized amounted to P0.825 million and P0.93 million in 2020 and 2019, respectively (Note 16).

11. Trade Payables and Other Current Liabilities

This account consists of:

	Note	2020	2019
Trade payables		**P1,557**	P1,557
Nontrade payables		**6,764**	601
Payable to government agencies		**327**	139
	18	**P8,648**	P2,297

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.

12. Borrowings

This account consists of:

	Note	**2020**	2019
Current portion:			
Greenkraft Corporation		**P190,000**	P190,552
Noncurrent portion:			
Greenkraft Corporation		**-**	10,917
Roxburgh Investment Limited		**-**	138,093
		-	149,010
	1, 14, 18	**P190,000**	P339,562

The above secured loans 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 the Company following the dacion en pago arrangements and re-assessment of related party relationships in 2010 (Notes 1 and 14).

The property and equipment of the Company and its subsidiaries and present and future receivables of its 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 a subsidiary (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 its subsidiaries and payment terms as discussed in Note 1 which is due after completion of dacion en pago that is expected to be completed in 2021.

Upon approval of the Amended Agreement, the above creditors are aware of the Company's non-compliance with covenant due to the Company'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 P294.6 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 P13.1 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 (Note 14) as the proceeds of the original loan were loaned by the Company to the subsidiary, subject to the same interest rates.

In 2012, TPC and 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 (Note 1) resulting to a reduction of the borrowing balance.

In 2013, the creditors/lenders granted the Company 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 until January 1, 2016. In 2019, 2018 and 2017, the creditors have further waived the annual interest charges.

On July 17, 2019, the BOD and Stockholders approved the conversion of loans from Greenkraft and Roxburgh into common shares in the Company. 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 (Note 13). Consequently, principal payments on long-term debt was suspended beginning July 2019.

On December 29, 2020, the Company issued 149,562,081 shares to Greenkraft and Roxburgh effecting the debt to equity conversion following the SEC approval of the Company's increase in authorized capital stock on the same day (Note 13).

Changes in liabilities arising from financing activities are as follows:

	Note	**2020**	2019
Balance at beginning of year		**P339,562**	P344,735
Conversion to equity	*13*	**(149,562)**	-
Payments of borrowings		**-**	(5,173)
Balance at end of year		**P190,000**	P339,562

13. Equity (Capital Deficiency)

Capital Stock

This account consists of:

December 31, 2020

	No. of Common Shares	**Par Value Per Share**	**Amounts in Thousand**
Authorized	**2,000,000,000**	**1**	**P2,000,000**
Issued and Outstanding			
Balance at beginning of year	**1,000,000,000**	**1**	**1,000,000**
Issuances during the year	**418,812,081**	**1**	**418,812**
Balance at end of year	**1,418,812,081**	**1**	**P1,418,812**

December 31, 2019

	No. of Common Shares	Par Value Per Share	Amounts in Thousand
Authorized	1,000,000,000	1	P1,000,000
Issued and outstanding	1,000,000,000	1	1,000,000

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, 8 and 12).

To accommodate the transactions discussed above, the BOD and Stockholders approved the amendment of the AOI to increase the authorized capital stock from P1 billion, divided into one billion common shares to P2 billion, divided into two billion common shares with par value of P1 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 8 and 12).

Expenses incurred that are directly attributable to the issuance of shares, net of related tax benefit, amounted to P6.21 million. Such amount was deducted against additional paid-in capital in 2020.

Additional Paid-in Capital
The Company's loans were restructured in October 2010 and the 123,818,000 unissued shares amounting to P123.82 million were issued to a creditor to settle portion of the loan amounting to P247.63 million. The excess of the amount settled over the amount of issued shares (P123.81 million) was recognized as part of additional paid-in capital (Note 1).

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:

	2020	2019
Net income (loss) for the year available to common shareholders	**P189,490**	(P2,810)
Divided by weighted average number of common shares, in thousand	**1,002,295**	1,000,000
Basic earnings (loss) per share	**0.18906**	(P0.00281)

14. 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.

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

				Outstanding Balance				
Category	Year	*Note*	Amount of Transaction	Receivables	Borrowings	Due to Related Parties	Terms	Conditions
Entities under Common Control								
▪ Reimbursements	**2020**	*6, 14b*	**P -**	**P122**	**P -**	**P -**	Receivable on demand; non-interest bearing	Unsecured; no impairment
	2019		14	122	-	-		
▪ Advances	**2020**	*14a*	**1,500**	**-**	**-**	**113,148**	Payable on demand; non-interest bearing	Unsecured
	2019		-	-	-	111,648		
▪ Borrowings	**2020**	*1, 12*	**-**	**-**	**190,000**	**-**	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
	2019		-	-	339,562	-		
TOTAL	**2020**			**P122**	**P190,000**	**P113,148**		
TOTAL	2019			P122	P339,562	P111,648		

a. Due to related parties consist mainly of non-interest bearing advances for working capital requirements with no definite repayment dates. These are expected to be settled in cash.

b. Reimbursement of various expenses were paid in advance by the Company and charged to the related party. These are expected to be settled in cash.

c. There is no key management compensation as the Company's finance and administrative functions are being handled by a related party without any charge.

15. Operating Expenses

This account consists of:

	Note	2020	2019
Depreciation	*9*	**P963**	P1,928
Professional fees		**560**	699
Salaries, wages and employee benefits		**326**	559
Listing fees		**261**	250
Taxes and licenses		**4**	6
Trainings and seminar		**-**	50
Transportation and travel		**-**	30
Office and computer supplies		**-**	11
Miscellaneous		**4**	207
		P2,118	P3,740

Miscellaneous pertains to mailing and courier services, commission and bank charges.

16. Other Income

This account consists of:

	Note	2020	2019
Reversal of impairment of investment in subsidiaries	8	**P188,570**	P -
Reversal of impairment of prepaid taxes	7	**2,209**	-
Dividend income	10	**825**	930
Interest income	5	**4**	3
Unrealized foreign exchange loss		**-**	(3)
		P191,608	P930

Dividend income pertains to the cash dividends received from investment in equity instruments.

17. Income Taxes

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:

	2020	2019
Income (loss) before income tax	**P189,490**	(P2,810)
Income tax benefit at statutory tax rate of 30%	**P56,847**	(P843)
Adjustments to income tax resulting from:		
Movement in unrecognized deferred tax asset	**(54,736)**	1,123
Stock issuance cost	**(1,863)**	-
Dividend income	**(247)**	(279)
Interest income subjected to final tax	**(1)**	(1)
	P -	P -

As at December 31, 2020 and 2019, 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.

	2020	2019
Temporary differences:		
Provision for impairment of investment in subsidiaries	**P1,559,430**	P1,748,000
Allowance for unrecoverable prepaid taxes	**-**	2,209
Allowance for impairment losses on advances to suppliers	**1,843**	1,843
	1,561,273	1,752,052
NOLCO	**13,106**	8,657
	P1,574,379	P1,760,709

As at December 31, 2020, the Company has available NOLCO which can be claimed as deduction against future taxable income as follows:

Year Incurred	Amount	Expired/ Applied	Balance	Date of Expiry
2020	P8,327	P -	P8,327	2025
2019	3,743	-	3,743	2022
2018	1,036	-	1,036	2021
2017	3,878	(3,878)	-	2020
	P16,984	(P3,878)	P13,106	

Bayanihan to Recover as One Act
On September 30, 2020, the BIR issued Revenue Regulation (RR) No. 25-2020 to implement Section 4 (bbbb) of Republic Act (RA) No. 11494 ("Bayanihan to Recover as One Act"), relative to NOLCO which provides that the net operating loss of a business or enterprise for taxable years 2020 and 2021 shall be carried over as a deduction from gross income for the next five (5) consecutive years immediately following the year of such loss.

The net operating loss for the said table years may be carried over as a deduction even after the expiration of RA No. 11494, provided that the same is claimed within the next five (5) consecutive taxable years following the year such loss was incurred.

18. Financial Risk and Capital Management Objectives and Policies

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.

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, due to related parties and current and noncurrent portions of borrowings (Notes 11, 12 and 14).

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments used for liquidity management.

December 31, 2020	**Carrying Amount**	**Contractual Cash Flow**	**Less than 1 Year**	**More than 1 Year**
Current Liabilities				
Trade payables and other current liabilities*	**P8,321**	**P8,321**	**P8,321**	**P -**
Due to related parties	**113,148**	**113,148**	**113,148**	**-**
Current portion of borrowings	**190,000**	**190,000**	**190,000**	**-**
	P311,469	**P311,469**	**P311,469**	**P -**

**Carrying amount excludes payable to government amounting to P327.*

December 31, 2019	Carrying Amount	Contractual Cash Flow	Less than 1 Year	More than 1 Year
Current Liabilities				
Trade payables and other current liabilities*	P2,158	P2,158	P2,158	P -
Due to related parties	111,648	111,648	111,648	-
Current portion of borrowings	190,552	190,552	190,552	-
Noncurrent Liability				
Borrowings, net of current portion	149,010	207,632	-	207,632
	P453,368	P511,990	P304,358	P207,632

**Carrying amount excludes payable to government amounting to P139.*

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 were 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 P190.0 million with reference to the municipality zonal value of land owned by SLC (Notes 1, 12 and 14). Upon completion of this transaction, the balance of borrowings will be paid in full.

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.

	Note	**2020**	2019
Cash in banks	*5*	**P3,106**	P1,659
Receivables	*6*	**122**	122
		P3,228	P1,781

The table below shows the credit quality of the Company's financial assets as at December 31, 2020 and 2019:

	Financial Assets at Amortized Cost			
December 31, 2020	**High Grade**	**Medium Grade**	**Low Grade**	**Total**
Cash in banks	**P3,106**	**P -**	**P -**	**P3,106**
Receivables	**-**	**122**	**-**	**122**
	P3,106	**P122**	**P -**	**P3,228**

	Financial Assets at Amortized Cost			
December 31, 2019	High Grade	Medium Grade	Low Grade	Total
Cash in banks	P1,659	P -	P -	P1,659
Receivables	-	122	-	122
	P1,659	P122	P -	P1,781

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, 2020	**12-month ECL**	**Lifetime ECL not Credit Impaired**	**Lifetime ECL Credit Impaired**	**Total**
Cash in banks	**P3,106**	**P -**	**P -**	**P3,106**
Receivables	**-**	**122**	**-**	**122**
	P3,106	**P122**	**P -**	**P3,228**

December 31, 2019	Financial Assets at Amortized Cost 12-month ECL	Lifetime ECL not Credit Impaired	Lifetime ECL Credit Impaired	Total
Cash in banks	P1,659	P -	P -	P1,659
Receivables	-	122	-	122
	P1,659	P122	P -	P1,781

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.

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			
	2020		2019	
	6% Increase	**6% Decrease**	6% Increase	6% Decrease
Investment in equity instruments	**P1,025**	**(P1,025)**	P1,141	(P1,141)

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.

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, Due to Related Parties and Current Portion of Borrowings. 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.

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 amounts of the borrowings with annual interest approximate their fair values.

<u>Capital Management</u>
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 suspended 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.

19. Events After Reporting Date

<u>Corporate Recovery and Tax Incentives for Enterprises Act (CREATE) Bill</u>
On March 26, 2021, the President of the Philippines has approved the Corporate Recovery and Tax Incentives for Enterprises or the CREATE Act, with nine (9) provisions vetoed by the President. Below are the salient features of the Act that are relevant to the Company:

a. Corporate income tax rate is reduced from 30% to 20% for domestic corporations with net taxable income not exceeding P5 million and with total assets not exceeding P100 million. All other domestic corporations and resident foreign corporations will be subject to 25% income tax. Said reductions are effective July 1, 2020.

b. MCIT rate is reduced from 2% to 1% effective July 1, 2020 to June 30, 2023.

c. The imposition of improperly accumulated earnings tax has been repealed.

On April 8, 2021, the BIR issued the following implementing revenue regulations that are effective immediately upon publication:

- BIR RR No. 2-2021, Amending Certain Provisions of RR No. 2-98, As Amended, to Implement the Amendments Introduced by Republic Act (RA) No. 11534, or the “Corporate Recovery and Tax Incentives for Enterprises Act” (CREATE), to the National Internal Revenue Code (NIRC) of 1997, as Amended, Relative to the Final Tax on Certain Passive Income

- BIR RR No. 3-2021, Rules and Regulations Implementing Section 3 of RA. No. 11534, Otherwise Known as the “CREATE”, Amending Section 20 of the NIRC of 1997, As Amended

- BIR RR No. 4-2021, Implementing the Provisions on Value-Added Tax (VAT) and Percentage Tax Under RA No. 11534, Otherwise Known as the CREATE Which Further Amended the National Revenue Code of 1997, as Amended, as Implemented by RR No. 16-2005 (Consolidated Value-Added Tax Regulations of 2005), As Amended

- BIR RR No. 5-2021, Implementing the New Income Tax Rates on the Regular Income of Corporations, on Certain Passive Incomes, Including Additional Allowable Deductions from Gross Income of Persons Engaged in Business or Practice of Profession Pursuant to RA No. 11534 or the CREATE, Which Further Amended the NIRC of 1997

The enactment of the CREATE Law is a non-adjusting subsequent event thus, the current and deferred income taxes as of December 31, 2020 are measured using the applicable income tax rates as of December 31, 2020.

The corporate income tax of the Company will be lowered from 30% to 25% effective July 1, 2020.

The changes in tax rates under the CREATE Law do not have significant effect on the Company’s financial statements as at and for the year ended December 31, 2020.

20. Supplementary Information Required by the BIR

In addition to the disclosures mandated under PFRS and such other standards and/or conventions as may be adopted, companies are required by the BIR to provide in the notes to the separate financial statements, certain supplementary information for the taxable year. The amounts relating to such information may not necessarily be the same with those amounts disclosed in the separate financial statements which were prepared in accordance with PFRS. The following is the tax information required based on RR No. 15-2010 for the taxable year ended December 31, 2020 (amounts rounded off to the nearest peso):

A. Value Added Tax (VAT)

Input VAT:	
Beginning of the year	**P2,553,042**
Current year’s domestic purchases:	
Services lodged under other accounts	**91,889**
Balance at the end of the year	**P2,644,931**

B. Withholding Taxes

Expanded withholding taxes	**P64,014**
Withholding taxes on compensation	**22,588**
	P84,602

C. All Other Taxes (Local and National)

Other taxes paid during the year recognized under "Taxes and licenses" account under Operating Expenses	
License and permit fees	**P3,630**

D. Tax and Assessment Cases

As of December 31, 2020, the Company has no pending tax court cases nor has received tax assessment notices from the BIR.

R.G. Manabat & Co.
The KPMG Center, 9/F
6787 Ayala Avenue, Makati City
Philippines 1226
Telephone +63 (2) 8885 7000
Fax +63 (2) 8894 1985
Internet www.home.kpmg/ph
Email ph-inquiry@kpmg.com

REPORT OF INDEPENDENT AUDITORS TO ACCOMPANY SEPARATE FINANCIAL STATEMENTS FOR FILING WITH THE BUREAU OF INTERNAL REVENUE

The Board of Directors and Stockholders
Steniel Manufacturing Corporation
Gateway Business Park
Brgy. Javalera, General Trias, Cavite

We have audited the accompanying separate financial statements of Steniel Manufacturing Corporation (the "Company"), as at and for the year ended December 31, 2020, on which we have rendered our report dated May 31, 2021.

In compliance with Revenue Regulation V-20, we are stating that no partner of our Firm is related by consanguinity or affinity to the president, manager or principal stockholder of the Company.

R.G. MANABAT & CO.

JOHN MOLINA
Partner
CPA License No. 0092632
SEC Accreditation No. 92632-SEC, Group A, valid for five (5) years
covering the audit of 2020 to 2024 financial statements
Tax Identification No. 109-916-107
BIR Accreditation No. 08-001987-023-2019
Issued August 7, 2019; valid until August 6, 2022
PTR No. MKT 8533911
Issued January 4, 2021 at Makati City

May 31, 2021
Makati City, Metro Manila

Annex C

CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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 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/s	Mobile Number
N/A	8361-9061	

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
3,622	Any day in May	December 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	09189110919

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.*

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

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of **Steniel Manufacturing Corporation and Subsidiaries** (the **"Company"**) is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended **December 31, 2020 and 2019,** 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.

The Board of Directors (BOD) is responsible for overseeing the Company's financial reporting process.

The BOD reviews and approves the financial statements including the attached schedules therein, and submits the same to the stockholders.

R.G. Manabat & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the Company 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 of the Board/President/CEO

ELIZA C. MACURAY
Chief Financial Officer

SUBSCRIBED AND SWORN to before me this June 1, 2021 at Pasig City, affiants exhibiting to me their validly-issued ID as follows:

Name	Valid ID
Nixon Y. Lim	TIN 117-748-507
Eliza C. Macuray	TIN 100-377-040

Doc. No. 217;
Page No. 45;
Book No. II;
Series of 2021.

VICTOR ENRIQUE G. BOLINAO
Appointment No. 196 (2020-2021)
Notary Public
Until December 31, 2021
Attorney's Roll No. 74263
33rd Floor, The Orient Square
F. Ortigas, Jr. Road, Ortigas Center, Pasig City
PTR Receipt No. 7203342; 01.05.21; Pasig City
IBP Receipt No. 137825; 01.05.21; RSM
Admitted to the Bar July 8, 2020

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2020, 2019 and 2018

With Independent Auditors' Report

R.G. Manabat & Co.
The KPMG Center, 9/F
6787 Ayala Avenue, Makati City
Philippines 1226
Telephone +63 (2) 8885 7000
Fax +63 (2) 8894 1985
Internet www.home.kpmg/ph
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REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Steniel Manufacturing Corporation
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 at December 31, 2020 and 2019, and the consolidated statements of comprehensive income, consolidated statements of changes in equity (capital deficiency) and consolidated statements of cash flows for each of the three years in the period ended December 31, 2020, and notes, comprising a significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2020 in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' 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.

Key Audit Matter

Key audit matter is a matter that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. This matter is 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 this matter.

Accounting for Business Combination
Refer to Note 1, Reporting Entity, Note 5, Business Combination and Note 18, Equity (Capital Deficiency)

The Group acquired a subsidiary during the year as discussed in Notes 1, 5 and 18 to the consolidated financial statements. The Group accounted for the business acquisition under the acquisition method in accordance with its policy as discussed in Note 3, *Summary of Significant Accounting Policies*. Management determined that the provisional fair value of the net identifiable assets acquired is P427.259 million.

The risk
The accounting for business acquisitions in accordance with PFRS involves a high level of judgment and inherent uncertainty in the estimation used in allocating the overall purchase price to each assets and liabilities acquired as a business which at reporting date were based on provisional values. Due to the inherent judgements involved in allocating the purchase price and assigning fair values to the assets acquired and liabilities assumed, this is one of our key areas of audit focus.

Our response
Our procedures included inspection and review of assignment of shares and subscription agreements to understand the key terms and conditions and confirm our understanding of the transaction with Management. In relation to the allocation of the purchase price, we evaluated management's estimate of the provisional fair values of the assets and liabilities of the acquired subsidiary by comparing to any similar transactions previously undertaken by the Group including transactions completed by other entities having similar type of business. We also obtained the latest financial information of the entity acquired and corroborate with results of inquiries with Management. Further, we also evaluated the adequacy of the Group's disclosures in the consolidated financial statements.

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) and SEC 17-A for the year ended December 31, 2020, but does not include the consolidated financial statements and our auditor's report thereon, which is expected to be available after the date of auditor's report. The SEC Form 20-IS and SEC Form 17-A for the year ended December 31, 2020 are expected to be made available to us after the date of this auditor's report.

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

In connection with our audits 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 audits or otherwise appears to be materially misstated.

KPMG

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRS, and for such internal control as management determines is necessary to enable the preparation of 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 '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 or to cease its operations, or has no realistic alternative but to do so.

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

Auditors' 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 auditors' 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 PSA 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 consolidated financial statements.

As part of an audit in accordance with PSA, 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, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our 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 '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 we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' 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 group 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 audits 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 communicate with them all relationships and other matters that may 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 auditors' 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.

The engagement partner on the audit resulting in this independent auditors' report is John Molina

R.G. MANABAT & CO.

JOHN MOLINA
Partner
CPA License No. 0092632
SEC Accreditation No. 92632-SEC, Group A, valid for five (5) years
covering the audit of 2020 to 2024 financial statements
Tax Identification No. 109-916-107
BIR Accreditation No. 08-001987-023-2019
Issued August 7, 2019; valid until August 6, 2022
PTR No. MKT 8533911
Issued January 4, 2021 at Makati City

May 31, 2021
Makati City, Metro Manila

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Thousands)

		December 31		January 1
	Note	**2020**	2019 As Restated (Note 27)	2019 As Restated (Note 27)
ASSETS				
Current Assets				
Cash	*6, 24*	**P43,776**	P13,025	P4,316
Receivables - net	*5, 7, 16, 24*	**336,456**	63,465	19,368
Inventories - net	*5, 8*	**671,367**	-	-
Prepaid expenses and other current assets - net	*5, 9*	**114,111**	90,751	109,208
		1,165,710	167,241	132,892
Asset held-for-sale	*10*	**120,600**	120,600	120,600
Total Current Assets		**1,286,310**	287,841	253,492
Noncurrent Assets				
Property and equipment - net	*5, 11*	**328,476**	5,738	18,051
Right-of-use asset - net	*5*	**5,767**	-	-
Investments in equity instruments	*12, 24*	**83,841**	46,657	61,566
Deferred tax assets	*5*	**19,779**	-	-
Other noncurrent assets	*5, 13*	**15,270**	20	20
Total Noncurrent Assets		**453,133**	52,415	79,637
		P1,739,443	P340,256	P333,129
LIABILITIES AND EQUITY (CAPITAL DEFICIENCY)				
Current Liabilities				
Trade payables and other current liabilities	*5, 14, 24*	**P481,651**	P16,326	P16,155
Amounts owed to related parties	*5, 16, 24, 27*	**128,634**	19,981	19,981
Current portion of borrowings	*1, 15, 16, 24*	**536,247**	190,552	197,889
Current portion of lease liabilities	*5, 23*	**3,727**	-	-
Income tax payable	*5*	**114**	-	-
Total Current Liabilities		**1,150,373**	226,859	234,025

Forward

		December 31		January 1
	Note	**2020**	2019 As Restated (Note 27)	2019 As Restated (Note 27)
Noncurrent Liability				
Borrowings, net of current portion	*1, 15, 16, 24*	**P -**	P149,010	P146,846
Retirement benefits liability		**7,858**	-	-
Lease liabilities - net of current portion	*5, 23*	**2,556**	-	-
Total Noncurrent Liabilities		**10,414**	149,010	146,846
Total Liabilities		**1,160,787**	375,869	380,871
Equity (Capital Deficiency)				
Capital stock	*18*	**1,418,812**	1,000,000	1,000,000
Additional paid-in capital	*18*	**408,423**	414,632	414,632
Reserve for retirement benefits liability		**(256)**	-	-
Net unrealized loss on investments in equity instruments	*12*	**(10,330)**	(20,961)	(401)
Deficit	*1, 27*	**(1,237,993)**	(1,429,284)	(1,461,973)
Total Equity (Capital Deficiency)		**578,656**	(35,613)	(47,742)
		P1,739,443	P340,256	P333,129

See Notes to the Consolidated Financial Statements.

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Thousands, Except Basic and Diluted Earnings Per Share)

		Years Ended December 31		
	Note	**2020**	2019	2018
REVENUES				
Rent income	*16, 23*	**P40,000**	P60,000	P36,000
COST OF SERVICES	*19*	**(2)**	(10,385)	(13,768)
GROSS PROFIT		**39,998**	49,615	22,232
OPERATING EXPENSES	*20*	**(5,788)**	(5,344)	(7,245)
OTHER INCOME - Net	*21*	**168,059**	2,373	2,742
INCOME BEFORE INCOME TAX		**202,269**	46,644	17,729
INCOME TAX EXPENSE	*12*	**(10,966)**	(14,403)	(5,733)
NET INCOME		**191,303**	32,241	11,996
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified to profit or loss				
Net loss on financial assets at fair value through other comprehensive income	*12*	**10,619**	(20,112)	(3,824)
TOTAL COMPREHENSIVE INCOME		**P201,922**	P12,129	P8,172
Basic and Diluted Earnings Per Share	*18*	**P0.1909**	P0.0322	P0.0120

See Notes to the Consolidated Financial Statements.

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CAPITAL DEFICIENCY)

(Amounts in Thousands)

Years Ended December 31

	Note	**Capital Stock** (Note 18)	**Additional Paid-in Capital** (Note 18)	**Net Unrealized Gain (Loss) on Investments in Equity Instruments** (Note 12)	**Reserve for Retirement Benefits Liability**	**Deficit** (Note 1)	**Total Capital Deficiency**
January 1, 2020		**P1,000,000**	**P414,632**	**(P20,961)**	**P -**	**(P1,429,284)**	**(P35,613)**
Issuance of shares	*18*	**418,812**	**(6,209)**	**-**	**-**	**-**	**412,603**
Acquisition of a subsidiary	*5*	**-**	**-**	**-**	**(256)**	**-**	**(256)**
Net income during the year		**-**	**-**	**-**	**-**	**191,303**	**191,303**
Change in fair value of investments in equity instruments		**-**	**-**	**10,619**	**-**	**-**	**10,619**
Transfer of fair value reserve of equity instruments designated at FVOCI		**-**	**-**	**12**	**-**	**(12)**	**-**
Total comprehensive income during the year		**-**	**-**	**10,631**	**-**	**191,291**	**201,922**
December 31, 2020		**P1,418,812**	**P408,423**	**(P10,330)**	**(P256)**	**(P1,237,993)**	**P578,656**

Forward

Years Ended December 31

	Note	Capital Stock (Note 18)	Additional Paid-in Capital (Note 18)	Net Unrealized Gain (Loss) on Investments in Equity Instruments (Note 12)	Deficit (Note 1)	Total Capital Deficiency
As at January 1, 2019, as previously reported		P1,000,000	P414,632	(P401)	(P1,535,769)	(P121,538)
Adjustment	*27*	-	-	-	73,796	73,796
As at January 1, 2019, as restated		1,000,000	414,632	(401)	(1,461,973)	(47,742)
Net income during the year		-	-	-	32,241	32,241
Change in fair value of investments in equity instruments		-	-	(20,112)	-	(20,112)
Transfer of fair value reserve of equity instruments designated at FVOCI		-	-	(448)	448	-
Total comprehensive income during the year		-	-	(20,560)	32,689	12,129
December 31, 2019		P1,000,000	P414,632	(P20,961)	(P1,429,284)	(P35,613)
January 1, 2018, as previously reported		P1,000,000	P414,632	P6,117	(P1,550,459)	(P129,710)
Adjustment	*27*	-	-	-	73,796	73,796
January 1, 2018, as restated		1,000,000	414,632	6,117	(1,476,663)	(55,914)
Net income during the year		-	-	-	11,996	11,996
Change in fair value of investments in equity instruments		-	-	(3,824)	-	(3,824)
Transfer of fair value reserve of equity instruments designated at FVOCI		-	-	(2,694)	2,694	-
Total comprehensive income during the year		-	-	(6,518)	14,690	8,172
December 31, 2018		P1,000,000	P414,632	(P401)	(P1,461,973)	(P47,742)

See Notes to the Consolidated Financial Statements.

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

		Years Ended December 31		
	Note	**2020**	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		**P202,269**	P46,644	P17,729
Adjustments for:				
Depreciation	*11, 19, 20*	**967**	12,313	14,195
Unrealized foreign exchange gain	*21*	**-**	2	(18)
Payables written off		**-**	-	(3,069)
Interest income	*6, 21*	**(19)**	(8)	(6)
Dividend income	*12, 21*	**(1,697)**	(2,368)	(1,988)
Reversal of allowance for impairment of prepaid taxes	*9, 21*	**(7,993)**	-	-
Provisional gain on acquisition of SMPC	*5, 21*	**(158,265)**	-	-
Operating income before working capital changes		**35,262**	56,583	26,843
Decrease (increase) in:				
Receivables		**63,342**	(44,097)	70,616
Prepaid expenses and other current assets		**12,455**	4,054	2,393
Increase (decrease) in:				
Trade payables and other current liabilities		**(89,716)**	171	(22,662)
Net cash generated from operations		**21,343**	16,711	77,190
Dividend received		**1,697**	2,368	7,071
Interest received		**19**	8	6
Net cash provided by operating activities		**23,059**	19,087	84,267
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale of investments in equity instruments	*12*	**1,715**	1,901	4,143
Additions to investments in equity instruments	*12*	**(28,280)**	(7,104)	(19,831)
Cash from acquisition of a subsidiary	*5*	**34,257**	-	-
Net cash provided by (used in) investing activities		**7,692**	(5,203)	(15,688)

Forward

			Years Ended December 31	
	Note	**2020**	2019	2018
CASH FLOW FROM A FINANCING ACTIVITY				
Payments of borrowings	*12*	**P -**	(P5,173)	(P67,479)
EFFECTS OF FOREIGN EXCHANGE RATES ON CASH		**-**	(2)	18
NET INCREASE (DECREASE) IN CASH		**30,751**	8,709	1,118
CASH AT BEGINNING OF YEAR		**13,025**	4,316	3,198
CASH END OF YEAR	*6*	**P43,776**	P13,025	P4,316

See Notes to the Consolidated Financial Statements.

1. Reporting Entity

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 shares of stocks are listed for trading at the Philippine Stock Exchange Inc. (PSE).

On September 11, 2013, the SEC approved the Amended Articles of Incorporation (AOI) of the Parent Company, extending the corporate life for another fifty (50) years from September 13, 2013.

On February 20, 2019, the President of the Philippines signed into law the Republic Act No. 11232 or the Revised Corporation Code of the Philippines (Revised Code). The Revised Code expressly repeals Batas Pambansa Blg. 68 or the Corporation Code of the Philippines. Section 11 of the Revised Code states that a corporation shall have perpetual existence unless the articles of incorporation provides otherwise. Corporations with certificates of incorporation issued prior to the effectivity of this Revised Code, and which continue to exist, shall have perpetual existence, unless the corporation, upon vote of its stockholders representing a majority of its outstanding capital stock, notifies the SEC that it elects to retain its specific corporate term pursuant to its articles of incorporation: Provided, that any change in the corporate term under this section is without prejudice to the appraisal right of dissenting stockholders in accordance with the provisions of this Revised Code. The Revised Code took effect on February 23, 2019.

Following a decision made by the 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.

The ultimate parent of the Group is Steniel (Netherlands) Holdings B.V. (SNHBV), incorporated in the Netherlands and is the registered owner of 82.2716% of the shares of the Group. 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 Parent Company totaling 123,818,000 shares were issued to Roxburgh Investment Limited (Roxburgh) to reduce the Parent Company's outstanding debts (Notes 15 and 18). 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 is now 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 to purchase the 279,151,088 shares of minority investing public or 27.92% of the total issued shares at a price of P0.0012 per share or an aggregate price of P334.9 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 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%

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. SNHBV owns 5% ownership with STN after registration of the sale and tender offer.

As at May 28, 2021, the transfer of shares from SNHBV to the Buyers from the tender offer are pending registration with the Bureau of Internal Revenue (BIR).

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

	Percent of Ownership	
	2020	2019
Steniel Cavite Packaging Corporation (SCPC)*	**100**	100
Steniel Mindanao Packaging Corporation (SMPC)**	**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.*

SCPC and TPC
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.

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, Manduae City, Cebu, Philippines.

On June 15, 2016 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 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.

SMPC
Steniel Mindanao Packaging Corporation (the "Company") was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) 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 99.99% of its ownership or 9,249,995 common shares in SMPC to various entities and individuals. In 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 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 Parent Company's increase in authorized capital stock on the same day (Note 18).

As at December 31, 2020, SMPC is a wholly owned subsidiary of the Parent Company.

The registered address which is also its 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 Corportion (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 current creditors/lenders signed the 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 Parent 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 Steniel Land Corporation (SLC); (b) identified idle assets of STN and its subsidiaries; and (c) by way of conversion into equity though the issuance of the 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 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 Group and mortgagors.

    g. Standard covenants, representations and warranties.

<u>Dacion en pago and Equity Conversion</u>
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 P122 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 P290.0 million. In 2012, certain certificates authorizing registration were issued and reduced the total value from P290.00 million to P289.88 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 2021 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.

In July 2019, the BOD and Stockholders of the Parent Company approved the conversion of loans 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 P149.56 million as a result of the debt-to-equity conversion.

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.

STN 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, and the remaining interest of SCPC in SLC is 29.21%.

As at December 31, 2020 and 2019, Greenkraft holds 70.77% interest in SLC while the remaining interest of SCPC is 29.21%.

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 until January 1, 2016. In 2020, 2019 and 2018, the creditors have further waived the annual interest charges.

Status of Operations
The Group has temporarily ceased its principal operations and has incurred recurring losses in prior years resulting to a deficit of P1,237.99 million and P1,429.28 million as at December 31, 2020 and 2019, respectively, resulting in capital deficiency of P35.61 million as at December 31, 2019. These conditions, among others, indicate the existence of uncertainty which may cast significant doubt about the Group'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 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 P1 billion, divided into one billion common shares to P2 billion, divided into two billion common shares with par value of P1 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 P149.56 million. Further, The Parent Company also issued shares to the shareholders of SMPC effecting the share swap transaction resulting to a provisional gain of P158.27 million from the acquisition of a subsidiary (Note 5). The realization of these transactions resolved the capital deficiency position of the Group as at December 31, 2020.

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.

2. Basis of Preparation

Statement of Compliance
The 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 consolidated financial statements were approved and authorized for issuance by the BOD on May 28, 2021.

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.

Functional and Presentation Currency
The consolidated financial statements are presented in Philippine peso, which is also the Group's functional currency. All financial information expressed in Philippine peso is rounded off to the nearest thousand peso, except when otherwise indicated.

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.

3. Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements, except for the changes in accounting policies as explained below.

Adoption of Amended Standards and Framework

The FRSC approved the adoption of a number of amended standards and framework as part of PFRS.

The Group has adopted the following amendments to standards and framework starting January 1, 2020 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption of the new and amended standards and interpretation did not have any significant impact on the consolidated financial statements.

- Amendments to References to Conceptual Framework in PFRS sets out amendments to PFRS, their accompanying documents and PFRS practice statements to reflect the issuance of the revised Conceptual Framework for Financial Reporting in 2018 (2018 Conceptual Framework). The 2018 Conceptual Framework includes:

  (a) a new chapter on measurement;
  (b) guidance on reporting financial performance;
  (c) improved definitions of an asset and a liability, and guidance supporting these definitions; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

  Some standards, their accompanying documents and PFRS practice statements contain references to, or quotations from, the International Accounting Standards Committee's Framework for the Preparation and Presentation of Financial Statements adopted by the IASB in 2001 or the Conceptual Framework for Financial Reporting issued in 2010. The amendments update some of those references and quotations so that they refer to the 2018 Conceptual Framework, and makes other amendments to clarify which version of the Conceptual Framework is referred to in particular documents.

- Definition of a Business (Amendments to PFRS 3, *Business Combination*). The amendments narrowed and clarified the definition of a business. The amendments also permit a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a business. The amendments: (a) confirmed that a business must include inputs and a process, and clarified that the process must be substantive and the inputs and process must together significantly contribute to creating outputs; (b) narrowed the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs; and (c) added a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets.

- Definition of Material (Amendments to PAS 1, *Presentation of Financial Statements and* PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*). The amendments refine the definition of what is considered material. The amended definition of what is considered material states that such information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify the definition of what is considered material and its application by: (a) raising the threshold at which information becomes material by replacing the term 'could influence' with 'could reasonably be expected to influence'; (b) including the concept of 'obscuring information' alongside the concept of 'omitting' and 'misstating' information in the definition; (c) clarifying that the users to which the definition refers are the primary users of general purpose financial statements referred to in the Conceptual Framework; (d) clarifying the explanatory paragraphs accompanying the definition; and (e) aligning the wording of the definition of what is considered material across PFRS and other publications. The amendments are expected to help entities make better materiality judgments without substantively changing existing requirements.

<u>Amended Standards Issued but Not Yet Adopted</u>
A number of amended standards and framework are effective for annual periods beginning after January 1, 2020 and have not been applied in preparing the consolidated financial statements. Unless otherwise indicated, none of these is expected to have a significant impact on the consolidated financial statements.

The Group will adopt the following amended standards and framework on the respective effective dates:

Effective June 1, 2020

- Coronavirus Disease 2019 (COVID-19) Related Rent Concessions (Amendment to PFRS 16, *Leases*). The amendments introduce an optional practical expedient that simplifies how a lessee accounts for rent concessions that are a direct consequence of COVID-19. A lessee that applies the practical expedient is not required to assess whether eligible rent concessions are lease modifications, and accounts for them in accordance with other applicable guidance. The practical expedient will apply if:

    - the revised consideration is substantially the same or less than the original consideration;

- the reduction in lease payments relates to payments originally due on or before June 30, 2021; and

- no other substantive changes have been made to the terms and conditions of the lease.

Lessees applying the practical expedient are required to disclose that fact, whether they have applied the practical expedient to all eligible rent concessions and, if not, the nature of the contracts to which they have applied the practical expedient; and the amount recognized in profit or loss for the reporting period arising from application of the practical expedient. No practical expedient is provided for lessors.

The amendment is effective for annual reporting periods beginning on or after June 1, 2020. Earlier application is permitted. A lessee applies the amendments retrospectively, recognizing the cumulative effect of the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate.

Effective January 1, 2022

- *Property, Plant and Equipment - Proceeds before Intended Use* (Amendments to PAS 16, *Property, Plant and Equipment*). The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment the proceeds from selling items produced before that asset is available for use. The proceeds before intended use should be recognized in profit or loss, together with the costs of producing those items which are identified and measured in accordance with PAS 2, *Inventories*.

  The amendments also clarify that testing whether an item of property, plant and equipment is functioning properly means assessing its technical and physical performance rather than assessing its financial performance.

  For the sale of items that are not part of a company's ordinary activities, the amendments require the company to disclose separately the sales proceeds and related production cost recognized in profit or loss and specify the line items in which such proceeds and costs are included in the consolidated statements of comprehensive income. This disclosure is not required if such proceeds and cost are presented separately in the consolidated statements of comprehensive income.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted. The amendments apply retrospectively, but only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the consolidated financial statements in which the company first applies the amendments.

- *Annual Improvements to PFRS Standards 2018 – 2020*. This Cycle of improvements contains amendments to four standards, of which the following are applicable to the Group:

  - *Fees in the '10 per cent' Test for Derecognition of Financial Liabilities* (Amendment to PFRS 9, *Financial Instruments).* This amendment clarifies that for the purpose of performing the '10 per cent test' for derecognition of financial liabilities, in determining those fees paid net of fees received included in the discounted cash flows, include only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

  - *Lease Incentives* (Amendment to Illustrative Examples accompanying PFRS 16). The amendment deletes from the Illustrative Example 13 the reimbursement relating to leasehold improvements to remove the potential for confusion because the example had not explained clearly enough the conclusion as to whether the reimbursement would meet the definition of a lease incentive in PFRS 16.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application permitted.

- *Reference to the Conceptual Framework* (Amendment to PFRS 3*).* The amendments:

  - updated PFRS 3 so that it now refers to the 2018 Conceptual Framework;

  - added a requirement that, for transactions and other events within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or IFRIC 21, *Levies*, an acquirer applies PAS 37 or IFRIC 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and

  - added an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.

  The amendments are effective for business combinations occurring in reporting periods starting on or after January 1, 2022, with earlier adoption permitted.

Effective January 1, 2023

- *Classification of Liabilities as Current or Noncurrent* (Amendments to PAS 1). To promote consistency in application and clarify the requirements on determining whether a liability is current or noncurrent, the amendments:

  - removed the requirement for a right to defer settlement of a liability for at least 12 months after the reporting period to be unconditional and instead requires that the right must have substance and exist at the end of the reporting period;

  - clarified that a right to defer settlement exists only if the company complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date; and

- clarified that settlement of a liability includes transferring a company's own equity instruments to the counterparty, but conversion options that are classified as equity do not affect classification of the liability as current or noncurrent.

The amendments apply retrospectively for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted.

Current versus Noncurrent Classification
The Group presents assets and liabilities in the consolidated 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 Group classifies all other assets and liabilities as noncurrent. Deferred tax assets and liabilities are classified as noncurrent.

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 Group recognizes a financial asset or a financial liability in the consolidated 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.

Financial Assets
The Group 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 Group for managing the financial assets.

Subsequent to initial recognition, financial assets are not reclassified unless the Group 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 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 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 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" account 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 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.

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 Group's cash in banks and receivables 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 Group 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 equity 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 consolidated 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 the consolidated statements of comprehensive income 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 consolidated statements of changes in equity are never reclassified to profit or loss.

The Group's investments in equity instruments are classified under this category.

Financial Liabilities
The Group classifies its financial liabilities, at initial recognition, in the following categories: financial liabilities at FVPL and other financial liabilities. The Group 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, 2020 and 2019, the Group 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 consolidated statements of comprehensive income. Gains and losses are recognized in the consolidated 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 consolidated statements of comprehensive income.

The Group's trade payables and other current liabilities, amounts owed to related parties and borrowings are included under this category.

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 group of similar financial assets) is primarily derecognized when:

- the rights to receive cash flows from the asset have expired; or

- the Group 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 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 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 the Group's continuing involvement. In that case, the Group 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 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 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 consolidated statements of comprehensive income.

Impairment of Financial Assets
The Group 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 Group in accordance with the contract and the cash flows that the Group 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 Group 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 Group 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 Group's historical experience and informed credit assessment and including forward-looking information.

The Group recognizes lifetime ECLs for receivables that do not contain significant financing component. The Group uses provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the borrowers and the economic environment.

At each reporting date, the Group 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 Group on terms that the Group 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 Group 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 Group 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 Group 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 Group'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 consolidated 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 consolidated statements of comprehensive income.

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 Group; 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 Group 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.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated 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.

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.

Non-controlling Interests
The acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognized as a result of such transactions. Any difference between the purchase price and the net assets of the acquired entity is recognized in equity. The adjustments to non-controlling interests are based on a proportionate amount of the identifiable net assets of the subsidiary.

Inventories
Inventories are stated at the lower of cost and net realizable value (NRV). Cost is determined on the basis of weighted average method. The cost of finished goods and work in process comprise raw materials used, direct labor costs and other direct costs and related production overheads (based on normal operating capacity). Materials and supplies are stated at invoice cost plus importation and other incidental charges. NRV is the estimated selling price in ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Inventories are derecognized either when sold or written-off. Provision for inventory losses is set up, when necessary, based on a review of the movement and current condition of each inventory item. Provision for inventory losses is provided, where necessary, for obsolete, slow-moving and defective inventories principally using age and physical condition as indicators. The amount of written-down inventories to NRV and all losses of inventories are recognized as expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in NRV, is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

Prepaid Expenses 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.

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.

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, 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:

	Number of Years
Machinery and equipment	3 - 10
Leasehold improvement	2 to 10 or lease term, whichever is shorter
Transportation equipment	3 - 5
Furniture, fixtures and equipment	3 - 5
Computer equipment	3 - 5

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.

Asset 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.

Impairment of Nonfinancial Assets

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.

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; or (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 Group.

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 Group 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 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 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 consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization at the end of each reporting period.

For purposes 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.

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's net obligation in respect of the defined benefits plan is calculated by estimating the amount of the future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligation is performed on a periodic basis by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Remeasurements of the net defined retirement obligation or asset, excluding net interest, are recognized immediately in other comprehensive income. Such remeasurements are not reclassified to profit or loss in subsequent periods. Net defined retirement benefit obligation or asset comprise actuarial gains and losses, the return on plan assets, excluding interest, and the effect of the asset ceiling, if any. The Group determines the net interest expense or income on the net defined retirement obligation or asset for the period by applying the discount rate used to measure the defined benefit retirement obligation at the beginning of the annual period to the then-net defined retirement obligation or asset, taking into account any changes in the net defined benefit retirement obligation or asset during the period as a result of contributions and benefit payments.

Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss.

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.

Additional Paid-in Capital

Additional paid-in capital represents the excess of consideration received over the par value of capital stock.

Retained Earnings (Deficit)

Retained earnings (deficit) represent the accumulated net income or losses, net of any dividend distributions and other capital adjustments.

Revenue Recognition
The Group 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 expects to be entitled in exchange for these 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.

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.

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

Rent Income
Rent income from operating leases are recognized in profit or loss on a straight-line basis over the term of the lease agreement. Lease incentives granted are recognized as an integral part of the total rent income over the term of the lease.

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 is recognized when earned.

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. Expense are recognized when incurred.

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.

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 for a period of time, the Group assesses whether, throughout the period of use:

- the Group has the right to obtain substantially all the economic benefits from use of the identified asset, and

- the Group has the right to direct the use of the identified asset.

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 Lessee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date (i.e., the date the underlying asset is available for use). The right-of-use 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 right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by losses, if any, and adjusted for certain remeasurements of the lease liability.

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.

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

- fixed payments, including in-substance fixed payments, less any lease incentives receivable;

- 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. The carrying amount of the lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or a change in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recognized in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases (i.e., lease that has a lease term of 12 months or less from the commencement date and does not contain a purchase option) and leases of low-value assets. The Group recognizes the lease payments associated with these leases as expense on a straight-line basis over the lease term.

Basic and Diluted Earnings Per Share (EPS)
Basic EPS is computed by dividing the net income for the period attributable to equity holders of the Parent Company by the weighted-average number of issued and outstanding common shares during the period.

For the purpose of computing diluted EPS, the net income for the period attributable to equity holders of the Parent Company and the weighted-average number of issued and outstanding common shares are adjusted for the effects of all potential dilutive instruments

Foreign Currency Transactions and Translation
Transactions and Balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rate of outstanding monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss under other expenses/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 Group 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 Group 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 consolidated statements of financial position.

<u>Related Party Transactions</u>
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.

<u>Operating Segments</u>
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 statements of comprehensive income. Given the foregoing, SCPC represents the only reportable segment of the Group in 2020, 2019 and 2018.

<u>Provisions</u>
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.

Events After the Reporting Date
Post year-end events that provide additional information about the Group's position at the reporting date (adjusting events) are recognized in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

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 consolidated 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 P40.00 million, P60.00 million and P36.00 million in 2020 and 2019 and 2018, respectively (Note 16 and 23).

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 24.

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 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 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, 2020 and 2019.

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 (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 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 24.

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.

As at December 31, 2020, the Group presented the provisional amount of fair values while the valuation specialist's evaluation is still ongoing. The estimated fair values of SMPC's net assets amounted to P427.26 million (Note 5).

Assessment for ECL 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 show 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 amount 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 on receivables amounted to P35.480 million as at December 31, 2020 and 2019. The carrying amount of receivables amounted to P336.456 million and P63.465 million as at December 31, 2020 and 2019, respectively (Note 7).

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 Group 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 for ECL on other financial assets at amortized cost was recognized in 2020 and 2019. The carrying amounts of other financial assets at amortized cost are as follows:

	Note	**2020**	2019
Cash in banks	*6*	**P43,736**	P13,025
Refundable security deposits	*5, 9*	**8,303**	-
		P52,039	P13,025

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

The carrying amount of the Group's property and equipment amounted to P328.476 million and P5.738 million as at December 31, 2020 and 2019, respectively (Note 11).

Determination of Impairment of Nonfinancial Assets
PFRS 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 P1.843 million as at December 31, 2020 and 2019. Allowance for unrecoverable prepaid taxes amounted to nil and P7.993 million as at December 31, 2020 and 2019, respectively (Note 9).

Allowance for impairment losses on asset held-for-sale amounted to P199.958 million as at December 31, 2020 and 2019 (Note 10).

No impairment loss was recognized on right-of use assets and property and equipment as at December 31, 2020 and 2019 (Note 11).

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 P19.779 million as at December 31, 2020 relates to the acquired deferred tax assets of SMPC. Deferred tax assets of STN and SCPC have not been recognized as at December 31, 2020 and 2019 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 risk and uncertainties into account.

The Group has not recognized any provisions in 2020 and 2019.

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 P1 (Notes 1 and 18).

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

	2020
Assets	
Cash	**P34,257**
Receivables	**336,333**
Inventories	**671,367**
Prepaid expenses and other current assets	**27,822**
Property and equipment	**323,705**
Right-of-use asset	**5,767**
Advances to third parties	**1,060**
Deferred tax assets	**19,779**
Input value-added taxes	**12,847**
Refundable security deposits	**1,343**
Liabilities	
Trade payables and other current liabilities	**(537,866)**
Loans payable	**(346,247)**
Amounts owed to related parties	**(108,653)**
Lease liabilities (including current portion)	**(6,283)**
Income tax payable	**(114)**
Retirement benefits liability	**(7,858)**
Total Identifiable Net Assets	**P427,259**

The following is the audited financial information of SMPC:

	2020
Assets	**P1,434,280**
Liabilities	**1,007,021**
Net Assets	**P427,259**
Total Comprehensive Income	**P4,173**
Cash flows provided by operating activities	**(P133,244)**
Cash flows used in investing activities	**(71,096)**
Cash flows provided by financing activities	**210,082**
Net Increase in Cash	**5,742**
Cash at End of Year	**P34,257**

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

	2020
Consideration transferred	**P269,250**
Total identifiable net assets	**(427,259)**
Gain on acquisition	**(158,009)**
Loss on acquisition recognized in other comprehensive income	**(256)**
Gain on acquisition recognized in profit or loss	**P158,265**

6. Cash

This account consists of:

	Note	2020	2019
Cash in banks	*24*	**P43,736**	P13,025
Cash on hand		**40**	-
	5	**P43,776**	P13,025

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

Interest income from cash in banks amounted to P0.019 million, P0.008 million, P0.006 million in 2020, 2019 and 2018, respectively (Note 21).

7. Receivables

This account consists of:

	Note	2020	2019
Trade receivables:			
Third parties		**P274,439**	P35,480
Related party	*16*	**62,966**	63,340
Non-trade receivables:			
Third party		**26,613**	-
Related party	*16*	**7,918**	125
		371,936	98,945
Less allowance for impairment losses on:			
Trade receivables - third parties		**(35,480)**	(35,480)
	5, 24	**P336,456**	P63,465

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.

Based on management's assessment, no additional provision for impairment was recognized in 2020 and 2019. Management assessed that the carrying amount of receivables are fully collectible.

8. Inventories

Inventories stated at lower of cost or NRV consist of:

	Note	2020
Work-in-process		**P15,587**
Raw materials		**585,729**
Materials and supplies		**56,420**
Finished goods		**13,631**
	5	**P671,367**

Inventories in 2020 are held by SMPC. No cost of inventories was recognized in the 2020 statement of comprehensive income since this cost was incurred prior to the acquisition of SMPC in December 2020.

9. Prepaid Expenses and Other Current Assets

This account consists of:

	Note	2020	2019
Input VAT - net		**P52,097**	P44,800
Prepaid taxes		**44,865**	53,944
Prepaid importation charges		**9,085**	-
Refundable security deposits	*24*	**6,940**	-
Advances to suppliers		**1,843**	1,843
Prepaid insurance		**56**	-
Other prepayments		**1,068**	-
		115,954	100,587
Less: Allowance for impairment losses and unrecoverable prepaid taxes		**(1,843)**	(9,836)
	5	**P114,111**	P90,751

Prepaid taxes include creditable withholding taxes withheld by the Group's customers which can be applied against future income tax liability.

Input VAT represents accumulated input taxes from purchases of goods and services for business operations which can be applied against future output VAT.

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.

In 2020, the Company applied prepaid tax credits with corresponding allowance for impairment against income tax payable. Gain on reversal of impairment amounting to P7.99 million was recognized under "Other income" (Note 21).

10. Asset 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 P0.249 million after issuance of the certificate authorizing registration.

The carrying amount related to the shares of SCPC in SLC amounted to P120.600 million, the transfer of which is expected to be completed in 2021.

The movements and balances of the asset held-for-sale as at December 31, 2020 and 2019 are as follows:

Cost	
January 1, 2010	P417,779
Accumulated Share in Net Losses	
January 1, 2010	(28,013)
Share in financial performance for the year	(55,197)
	(83,210)
Allowance for impairment	(199,958)
Carrying amount reclassified as asset held-for-sale in 2010	134,611
Assigned/written-off in 2012	(13,762)
Disposal	(249)
Asset Held-for-Sale	
December 31, 2020 and 2019	**P120,600**

11. Property and Equipment

The movements and balances of property and equipment as at December 31, 2020 and 2019 are as follows:

	Note	Land	Machinery and Equipment	Leasehold Improvements	Transportation Equipment	Furniture, Fixtures and Equipment	Computed Equipment	Construction in Progress	Total
Cost									
January 1 and December 31, 2019		P -	P77,322	P -	P -	P -	P604	P -	P77,926
Acquisition of a subsidiary	*5*	6,214	202,956	28,955	7,234	5,218	-	73,128	323,705
December 31, 2020		**6,214**	**280,278**	**28,955**	**7,234**	**5,218**	**604**	**73,128**	**401,631**
Accumulated Depreciation and Amortization									
January 1, 2019		-	59,282	-	-	-	593	-	59,875
Depreciation and amortization		-	12,304	-	-	-	9	-	12,313
December 31, 2019		-	71,586	-	-	-	602	-	72,188
Depreciation and amortization		-	965	-	-	-	2	-	967
December 31, 2020		**-**	**72,551**	**-**	**-**	**-**	**604**	**-**	**73,155**
Carrying Amounts									
December 31, 2019		P -	P5,736	P -	P -	P -	P2	P -	P5,738
December 31, 2020		**P6,214**	**P207,727**	**P28,955**	**P7,234**	**P5,218**	**P -**	**P73,128**	**P328,476**

Depreciation is recognized as follows:

	Note	**2020**	2019	2018
Cost of services	*19*	**P2**	P10,385	P12,268
Operating expenses	*20*	**965**	1,928	1,927
		P967	P12,313	P14,195

12. Investments 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, 2020 and 2019.

The movements in investments in equity instruments are as follows:

	Note	**2020**	2019
Cost			
Balance at beginning of year		**P67,618**	P61,967
Additions		**28,280**	7,104
Disposals		**(1,727)**	(1,453)
Balance at end of year		**94,171**	67,618
Changes in Fair Value			
Balance at beginning of year		**(20,961)**	(401)
Changes in fair value		**10,619**	(20,112)
Transfer of fair value reserve for investments in equity instruments designated at FVOCI		**12**	(448)
Balance at end of year		**(10,330)**	(20,961)
	24	**P83,841**	P46,657

Dividend income earned in 2020, 2019 and 2018 amounted to P1.697 million, P2.368 million and P1.988 million, respectively (Note 21).

13. Other Noncurrent Assets

This account consists of:

	Note	**2020**	2019
Deferred input VAT	*5*	**P12,847**	P -
Advances to third parties	*5*	**1,060**	-
Refundable security deposits	*5, 24*	**1,363**	20
		P15,270	P20

Advances to third parties represent down payment made by the Group to third parties for the purchase of parcels of land and related improvements thereon.

14. Trade Payables and Other Current Liabilities

This account consists of:

	Note	2020	2019
Trade payables:	*24*		
Third parties		**P273,996**	P13,923
Related parties		**96,770**	
Non-trade payables	*24*	**-**	1,114
Advances from customers		**49,633**	-
Accrued expenses	*24*	**50,841**	1,110
Payable to government agencies		**2,414**	179
Others	*24*	**7,997**	-
	5	**P481,651**	P16,326

Trade payables generally have 30-day term and includes interest-bearing letter of credits with terms ranging from 90 to 180 days. Trade payables also includes liabilities on purchase of investment in equity securities held by the Group.

Advances from customers pertain to advances made by customers for purchase of goods.

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

	Note	2020	2019
Importation cost:			
Third parties		**P10,275**	P -
Related parties	*16*	**15,217**	-
Salaries and other employee benefits		**2,570**	-
Other purchases:			-
Third parties		**11,179**	-
Related parties	*16*	**13**	-
Outside services		**1,370**	-
Insurance		**4,958**	-
Professional fees		**901**	1,110
Others		**4,358**	-
		P50,841	P1,110

Other accrued expenses include repairs and maintenance and utility payables.

15. Loans and Borrowings

This account consists of:

	Note	2020	2019
Current portion:			
Various local banks	*5*	**P346,247**	P -
Greenkraft Corporation	*16*	**190,000**	190,552
		536,247	190,552
Net of current portion:			
Greenkraft Corporation	*16*	**-**	10,917
Roxburgh Investment Limited	*16*	**-**	138,093
		-	149,010
	1, 24	**P536,247**	P339,562

Loans from local banks are unsecured, short-term, 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 3.75% to 3.95% in 2020.

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 2021.

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 P294.6 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 P13.1 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 P0.64 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 until January 1, 2016. In 2019, 2018 and 2017, the creditors have further waived the annual interest charges.

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 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 (Note 18).

Changes in liabilities arising from financing activities are as follows:

	Note	**2020**	2019
Balance at beginning of year		**P339,562**	P344,735
Acquisition of a subsidiary	*1, 5, 18*	**346,247**	-
Conversion of debt to equity	*1, 18*	**(149,562)**	-
Payments of borrowings		**-**	(5,173)
Balance at end of year		**P536,247**	P339,562

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:

	Year	Note	Amount of Transaction	Outstanding Balance: Receivables	Trade Payables	Accrued Expenses	Amounts Owed to Related Parties	Borrowings	Terms	Conditions
Entity under Common Control										
Rent income	**2020**	*7, 23*	**P40,000**	**P -**	**P -**	**P -**	**P -**	**P -**	Collectible within 60 days; non-interest bearing	Unsecured; no impairment
	2019		60,000	63,340	-	-	-	-		
Reimbursements	**2020**	*7, b*	**-**	**122**	**-**	**-**	**-**	**-**	Collectible on demand; non-interest bearing	Unsecured; no impairment
	2019		17	125	-	-	-	-		
Associate										
Advances	**2020**	*a*	**-**	**-**	**-**	**-**	**19,981**	**-**	Payable on demand; non-interest bearing	Unsecured
	2019		-	-	-	-	19,981	-		
Shareholders										
Borrowings	**2020**	*15*	**-**	**-**	**-**	**-**	**-**	**190,000**	Payable in quarterly installments for 25 years; 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 Group
	2019		-	-			-	339,562		
Sales	**2020**	*c*	**-**	**70,762**	**-**	**-**	**-**	**-**	Payable within 30 days; non-interest bearing	Unsecured; no impairment
	2019		-	-	-	-	-	-		
Other Related Parties										
Lease and warehousing costs	**2020**	*d*	**-**	**-**	**15,526**	**-**	**-**	**-**	Payable on demand; non-interest bearing	Unsecured
	2019		-	-	-	-	-	-		
Purchases	**2020**	*c*	**-**	**-**	**81,244**	**15,230**	**-**	**-**	Payable within 30 days; non-interest bearing	Unsecured
	2019		-	-	-	-	-	-		
Advances	**2020**	*a*	**-**	**-**	**-**	**-**	**108,653**	**-**	Payable on demand; non-interest bearing	Unsecured
	2019		-	-	-	-	-	-		
Key Management Personnel										
Short-term benefits	**2020**	*20*	**884**	**-**	**-**	**-**	**-**	**-**		
	2019		1,118	-	-	-	-	-		
	2020			**P70,884**	**P96,770**	**P15,230**	**P128,634**	**P190,000**		
	2019			P63,465	P -	P -	P19,981	P339,562		

a. Amounts owed to related parties consist mainly of non-interest bearing advances for working capital requirements with no definite repayment dates. These are expected to be settled through realization of the dacion en pago in payment of the investment in shares of stocks of SCPC in SLC.

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. SMPC has lease contract with Golden Bales Corporation for a lease of space in the lessor's warehouse for a period of one year starting January 1, 2020 to December 31, 2020. The lease is renewable at the option of both parties.

   SMPC also has existing 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 5 years which expired on October 21, 2016 and was renewed thereafter for another 5-year term. The lease agreement qualified under PFRS 16 (Note 23).

e. Compensation of the Group's key management personnel is comprised of short-term benefits amounting to P0.884 million and P1.118 million in 2020 and 2019, respectively, recognized as part of "Professional fees, security and outside services" account under Operating expenses (Note 20).

Unless otherwise indicated above, related party balances are expected to be settled in cash.

17. Retirement Benefits

The Group assumed the retirement benefits liability of SMPC upon acquisition of the latter in December 2020 (Notes 1 and 5) amounting to P7.86 million.

The SMPC has 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. SMPC's latest actuarial valuation date is as at December 31, 2020. Valuation is obtained on a periodic basis.

18. Equity (Capital Deficiency)

Capital Stock
This account consists of:

December 31, 2020

	No. of Common Shares	Par Value Per Share	Amounts in Thousand
Authorized	**2,000,000,000**	**1**	**P2,000,000**
Issued and Outstanding			
Balance at beginning of year	**1,000,000,000**	**1**	**1,000,000**
Issuances during the year	**418,812,081**	**1**	**418,812**
Balance at end of year	**1,418,812,081**	**1**	**P1,418,812**

December 31, 2019

	No. of Common Shares	Par Value Per Share	Amount in Thousand
Authorized	1,000,000,000	1	P1,000,000
Issued and outstanding	1,000,000,000	1	1,000,000

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 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 15).

To accommodate the transactions discussed above, the BOD and Stockholders approved the amendment of the AOI to increase the authorized capital stock from P1 billion, divided into one billion common shares to P2 billion, divided into two billion common shares with par value of P1 per share.

On December 29, 2020, the SEC approved the increase in authorized capital stock of the Parent 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 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 P6.21 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 123,818,000 unissued shares amounting to P123.82 million were issued to a creditor to settle portion of the loan amounting to P247.63 million. The excess of the amount settled over the amount of issued shares (P123.81 million) was recognized as part of additional paid-in capital (Note 1).

Earnings Per Share

Basic earnings per common share in centavos for the years ended December 31 is calculated as follows:

	2020	2019	2018
Net income	**P191,303**	P32,241	P11,996
Divided by weighted average number of common shares, in thousands	**1,002,295**	1,000,000	1,000,000
Basic and diluted earnings per share	**P0.1909**	P0.0322	P0.0120

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.

19. Cost of Services

This account consists of:

	Note	**2020**	2019	2018
Depreciation	*11*	**P2**	P10,385	P12,268
Repairs and maintenance		**-**	-	1,500
		P2	P10,385	P13,768

20. Operating Expenses

This account consists of:

	Note	**2020**	2019	2018
Professional fees, security and outside services	*16*	**P3,260**	P1,717	P2,824
Depreciation	*11*	**965**	1,928	1,927
Insurance, taxes and licenses		**618**	423	698
Salaries, wages and employee benefits		**326**	559	816
Listing fees		**261**	250	256
Representation and entertainment		**61**	64	70
Utilities and office expenses		**17**	37	104
Trainings and seminar		**-**	73	15
Transportation and travel		**-**	44	207
Others		**280**	249	328
		P5,788	P5,344	P7,245

21. Other Income (Charges)

This account consists of:

	Note	**2020**	2019	2018
Provisional gain on acquisition of SMPC	*5*	**P158,265**	P -	P -
Reversal of allowance for impairment of prepaid taxes	*9*	**7,993**	-	-
Dividend income	*12*	**1,697**	2,368	1,988
Interest income	*6*	**19**	8	6
Unrealized foreign exchange gain		**-**	(2)	18
Others		**85**	(1)	730
		P168,059	P2,373	P2,742

In 2018, others include reversal of long outstanding payables.

22. Income Taxes

Income tax expense pertains to current tax expense amounting to P10.966 million, P14.403 million and P5.733 million in 2020, 2019 and 2018, respectively.

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:

	2020	2019	2018
Income before income tax	**P202,269**	P46,644	P17,729
Tax statutory tax rate of 30%	**P60,681**	P13,993	P5,319
Adjustments to income tax resulting from tax effects of:			
Gain on acquisition of a subsidiary	**(47,480)**	-	-
Stock issuance cost	**(1,863)**	-	-
Dividend income	**(509)**	(710)	(596)
Movement in unrecognized deferred tax asset	**100**	1,123	1,012
Non-deductible expenses	**43**	-	-
Interest income subjected to final tax	**(6)**	(3)	(2)
	P10,966	P14,403	P5,733

Acquired deferred tax assets recognized as a result of acquisition of SMPC amounted to P19.78 million (Note 5).

As at December 31, 2020 and 2019, 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.

	2020	2019
Temporary differences:		
Allowance for impairment losses of assets held-for-sale (previously recognized as investment in an associate)	**P199,958**	P199,958
Allowance for impairment losses of receivables	**35,480**	35,480
Allowance for impairments losses of advances to suppliers	**1,843**	1,843
Allowance for unrecoverable prepaid taxes	**-**	7,993
	237,281	245,274
NOLCO	**13,106**	8,657
	P250,387	P253,931

The Group has NOLCO amounting to P13.106 million as at December 31, 2020, which can be carried forward as deduction against future taxable income as follows:

Year Incurred	Amount	Expired/ Applied	Balance	Date of Expiry
2020	P8,327	P -	P8,327	2025
2019	3,743	-	3,743	2022
2018	1,036	-	1,036	2021
2017	3,878	(3,878)	-	2020
	P16,984	(P3,878)	P13,106	

23. Lease Agreements

Group as Lessor

Prior to the acquisition of SMPC, the Group entered into a lease contract with SMPC for certain machinery and equipment. The lease contract is for a period of one year renewable for another year, subject to terms and conditions mutually agreed by the parties. In 2018, SCPC and SMPC agreed to lower the monthly rent for the leased asset from P5 million to P3 million. However, in 2019, both parties agreed to revert the monthly rent to P5 million. In 2020, SCPC granted a rent-free period covering months of September to December 2020 to alleviate the impact of COVID-19 to SMPC.

Rent income amounted to P40.00 million, P60.00 million and P36.00 million in 2020, 2019 and 2018, respectively (Note 16).

Group as Lessee
SMPC 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. Security deposits paid by SMPC as required under the terms and covering lease agreements amounted to P2.79 million and P2.23 million as at December 31, 2020 and 2019, respectively, which were recognized under “Prepaid expenses and other current assets” and “Other noncurrent assets” accounts in the consolidated statements of financial position (Notes 9 and 13).

The fair value of right-of-use asset and lease liabilities at the date of acquisition of SMPC amounted to P5.77 million and P6.28 million, respectively (Note 5).

24. 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 (Notes 14, 15, 16 and 23).

The table below summarizes the maturity profile of the Group’s financial liabilities based on contractual undiscounted payments used for liquidity management.

December 31, 2020	Carrying Amount	Contractual Cash Flow	Less than 1 Year	More than 1 Year
Trade payables and other current liabilities*	P429,604	P429,604	P429,604	P -
Amounts owed to related parties	128,634	128,634	128,634	-
Loans and borrowings	536,247	536,247	536,247	-
Lease liabilities	6,283	7,069	4,014	3,055
	P1,100,768	P1,101,554	P1,098,499	P3,055

**Carrying amount excludes advances from customers and payable to government agencies amounting to P52,047.*

December 31, 2019	Carrying Amount	Contractual Cash Flow	Less than 1 Year	More than 1 Year
Trade payables and other current liabilities*	P16,147	P16,147	P16,147	P -
Amounts owed to related parties	19,981	19,981	19,981	-
Borrowings	339,562	398,184	190,552	207,632
	P375,690	P434,312	P226,680	P207,632

**Carrying amount excludes payable to government agencies amounting to P179.*

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 were 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 P190 million with reference to the municipality zonal value of land owned by SLC. Upon completion of this transaction, the balance of borrowings will be paid in full (Notes 10 and 15).

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, 2020 and 2019, without considering the effects of collaterals and other risk mitigation techniques, is presented below.

	Note	**2020**	2019
Cash in banks	*6*	**P43,736**	P13,025
Receivables - gross	*7*	**371,936**	98,945
Refundable security deposits		**8,303**	-
		P423,975	P111,970

The table below shows the credit quality of the Group's financial assets as at December 31, 2020 and 2019:

December 31, 2020	**High Grade**	**Medium Grade**	**Low Grade**	**Total**
Cash in banks	**P43,736**	**P -**	**P -**	**P43,736**
Receivables	**-**	**336,456**	**35,480**	**371,936**
Refundable security deposits	**-**	**8,303**	**-**	**8,303**
`	**P43,736**	**P344,759**	**P35,480**	**P423,975**

December 31, 2019	High Grade	Medium Grade	Low Grade	Total
Cash in banks	P13,025	P -	P -	P13,025
Receivables	-	63,465	35,480	98,945
	P13,025	P63,465	P35,480	P111,970

The Group computes impairment loss on receivables based on past collection experience, current circumstances and the impact of future economic conditions, if any, available at the reporting period.

There are no significant changes in the credit quality of the counterparties' during the year.

It is the Group's policy to maintain accurate and consistent risk ratings across the financial assets which facilitates focused management of applicable risks. The Group utilizes an internal credit rating system based on its assessment of the quality of the financial assets.

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, 2020	**12-month ECL**	**Lifetime ECL not Credit Impaired**	**Lifetime ECL Credit Impaired**	**Total**
Cash in banks	**P43,736**	**P -**	**P -**	**P43,736**
Receivables	**336,334**	**122**	**35,480**	**371,936**
Refundable security deposits	**6,347**	**1,956**	**-**	**8,303**
	P386,417	**P2,078**	**P35,480**	**P423,975**

	Financial Assets at Amortized Cost			
December 31, 2019	12-month ECL	Lifetime ECL not Credit Impaired	Lifetime ECL Credit Impaired	Total
Cash in banks	P13,025	P -	P -	P13,025
Receivables	-	63,465	35,480	98,945
	P13,025	P63,465	P35,480	P111,970

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.

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

The Group is exposed to foreign currency risk on its cash in banks that is denominated in US Dollars. The Group 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 Group expects that the effects of this foreign currency risk are immaterial to the consolidated 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 Group's exposures to interest rate risk relates primarily to the Group's loans and borrowings. The Group manages its interest rate risk by limiting its loans and borrowings to loans with 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 (Capital Deficiency)			
	2020		2019	
	6% Increase	**6% Decrease**	4% Increase	4% Decrease
Investment in equity instruments	**P4,676**	**(P4,676)**	P2,648	(P2,648)

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.

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 amounts of the borrowings with annual interest approximate their fair values.

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.

25. Other Matters

Effect of Corona Virus Disease 2019 (COVID-19)

On March 8, 2020, under Proclamation 922, the Office of the President has declared a state of public health emergency and subsequently on March 16, 2020, under Proclamation 929, a state of calamity throughout the Philippines due to the spread of the COVID-19. To manage the spread of the disease, the entire Luzon has been placed under an Enhanced Community Quarantine (ECQ), effective from March 17, 2020 until April 12, 2020, extended until May 15, 2020. Starting May 16, 2020, the National Capital Region (NCR) has been placed in a Modified Enhanced Community Quarantine (MECQ). Both the ECQ and MECQ involved several measures including travel restrictions, home quarantine and temporary suspension or regulation of business operations, among others, limiting activities related to the provision of essential goods and services.

On May 12, 2020, the President declared Metro Manila and Laguna in Luzon, including Cebu City, to be further placed under modified ECQ until May 31, 2020. With the lifting of ECQ, General Community Quarantine came into effect still enforcing physical distancing and home quarantine, among others.

On March 29, 2021, the Presidential Spokesperson has announced that ECQ will be implemented in the NCR plus "bubble" covering areas of NCR, Bulacan, Rizal, Cavite and Laguna until April 4, 2021. Thereafter, ECQ was further extended until April 11, 2021.

The Group, whose activity is limited to rental of properties, has not been significantly affected by the aforesaid declaration. The Group however, granted SMPC, its lessee, a four-month rent-free period in 2020, consequently decreasing rent income by P20.00 million. Management will continue to assess the impact of COVID-19 in 2021.

<u>Bayanihan to Recover as One Act</u>
On September 30, 2020, the BIR issued RR No. 25-2020 to implement Section 4 (bbbb) of RA No. 11494 ("Bayanihan to Recover as One Act"), relative to NOLCO which provides that the net operating loss of a business or enterprise for taxable years 2020 and 2021 shall be carried over as a deduction from gross income for the next five (5) consecutive years immediately following the year of such loss.

26. Events After Reporting Date

On March 26, 2021, the President of the Philippines has approved the Corporate Recovery and Tax Incentives for Enterprises or the CREATE Act, with nine (9) provisions vetoed by the President. Below are the salient features of the Act that are relevant to the Group:

a. Corporate income tax rate is reduced from 30% to 20% for domestic corporations with net taxable income not exceeding P5 million and with total assets not exceeding P100 million. All other domestic corporations and resident foreign corporations will be subject to 25% income tax. Said reductions are effective July 1, 2020.

b. MCIT rate is reduced from 2% to 1% effective July 1, 2020 to June 30, 2023.

c. The imposition of improperly accumulated earnings tax has been repealed.

On April 8, 2021, the BIR issued the following implementing revenue regulations that are effective immediately upon publication:

- BIR Revenue Regulation (RR) No. 2-2021, Amending Certain Provisions of RR No. 2-98, As Amended, to Implement the Amendments Introduced by Republic Act (RA) No. 11534, or the "Corporate Recovery and Tax Incentives for Enterprises Act" (CREATE), to the National Internal Revenue Code (NIRC) of 1997, as Amended, Relative to the Final Tax on Certain Passive Income

- BIR RR No. 3-2021, Rules and Regulations Implementing Section 3 of RA. No. 11534, Otherwise Known as the "Corporate Recovery and Tax Incentives for Enterprises Act" or "CREATE", Amending Section 20 of the NIRC of 1997, As Amended

- BIR RR No. 4-2021, Implementing the Provisions on Value-Added Tax (VAT) and Percentage Tax Under RA No. 11534, Otherwise Known as the CREATE Which Further Amended the NIRC of 1997, as Amended, as Implemented by RR No. 16-2005 (Consolidated Value-Added Tax Regulations of 2005), As Amended

- BIR RR No. 5-2021, Implementing the New Income Tax Rates on the Regular Income of Corporations, on Certain Passive Incomes, Including Additional Allowable Deductions from Gross Income of Persons Engaged in Business or Practice of Profession Pursuant to RA No. 11534 or the CREATE, Which Further Amended the NIRC of 1997

The enactment of the CREATE Law is a non-adjusting subsequent event thus, the current and deferred income taxes as of December 31, 2020 are measured using the applicable income tax rates as of December 31, 2020.

The corporate income tax of the Group will be lowered from 30% to 25% effective July 1, 2020.

Presented below is the estimated effect of changes in tax rates under the CREATE Act.

	As at December 31, 2020	**Effect of Changes in Tax Rates**	**Amounts Based on the Reduced Tax Rates**
Statement of Comprehensive Income			
Income tax expense	**P10,966**	**(P914)**	**P10,052**
Statement of Financial Position			
Prepaid taxes	**44,865**	**914**	**45,779**

27. Effect of Prior Period Adjustment

The Group's 2019 consolidated financial statements were restated to correct certain balances in relation to error in consolidation entries in prior years, as presented below.

January 1, 2019	As Previously Reported	Restatement	As Restated
Statement of Financial Position			
Amounts owed to related party	P93,777	(P73,796)	P19,981
Deficit	(1,535,769)	73,796	(1,461,973)

December 31, 2019	As Previously Reported	Restatement	As Restated
Statement of Financial Position			
Amounts owed to related party	P93,777	(P73,796)	P19,981
Deficit	(1,503,080)	73,796	(1,429,284)

The restatement did not have a material impact in the consolidated statements of comprehensive income and consolidated statements of cash flows for the years ended December 31, 2019 and 2018.

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REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY INFORMATION

The Board of Directors and Stockholders
Steniel Manufacturing Corporation
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 (the "Group"), as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020, included in this Form 17-A, and have rendered our report dated May 31, 2021.

Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements of the Group taken as a whole. The supplementary information included in the following accompanying additional components is the responsibility of the Group's management. Such additional components include:

- Map of the Conglomerate
- Supplementary Schedules of Annex 68-J
- Reconciliation of Retained Earnings Available for Dividend Declaration

The supplementary information are presented for purposes 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. Such supplementary information have been subjected to auditing procedures applied in the audits of the basic consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic consolidated financial statements taken as a whole.

R.G. MANABAT & CO.

JOHN MOLINA
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covering the audit of 2020 to 2024 financial statements
Tax Identification No. 109-916-107
BIR Accreditation No. 08-001987-023-2019
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PTR No. MKT 8533911
Issued January 4, 2021 at Makati City

May 31, 2021
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REPORT OF INDEPENDENT AUDITORS ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Board of Directors and Stockholders
Steniel Manufacturing Corporation
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 (the "Group") as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020, and have issued our report dated May 31, 2021.

Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on 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 purposes 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, 2020 and 2019, and for each of the three years in the period ended December 31, 2020 and no material exceptions were noted.

R.G. MANABAT & CO.

JOHN MOLINA
Partner
CPA License No. 0092632
SEC Accreditation No. 92632-SEC, Group A, valid for five (5) years
covering the audit of 2020 to 2024 financial statements
Tax Identification No. 109-916-107
BIR Accreditation No. 08-001987-023-2019
Issued August 7, 2019; valid until August 6, 2022
PTR No. MKT 8533911
Issued January 4, 2021 at Makati City

May 31, 2021
Makati City, Metro Manila

STENIEL MANUFACTURING CORPORATION
Gateway Business Park, Brgy. Javalera,
General Trias, Cavite, Philippines
SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
AS AT DECEMBER 31, 2020

	Figures based on functional currency audited financial statements
Unappropriated Retained Earnings (Deficit), as adjusted to available for dividend distribution, beginning*	**(P1,791,408)**
Net income actually earned during the period	
Net income during the period closed to Retained Earnings (Deficit)	**189,490**
Unappropriated Retained Earnings (Deficit) available for dividend declaration, ending**	**(P1,601,918)**

** 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
INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES
DECEMBER 31, 2020 AND 2019

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES
SCHEDULE A - FINANCIAL ASSETS
DECEMBER 31, 2020

Name of Issuing Entity	Number of Shares	Amount Shown in the December 31, 2020 Consolidated Statement of Financial Position	Income Received and Accrued
PLDT Inc	698	P935,750	P46,200
Fil-Estate	540,000	540,000	-
Meralco	26,216	7,655,072	416,442
Rockwell Land Corp.	45,700	70,378	2,207
Aboitiz Power	45,000	1,194,750	53,100
Alliance Global	60,000	636,000	-
DMCI Holdings, Inc.	1,500,000	8,490,000	-
Manila Water Corp.	1,102,000	17,609,960	-
Metro Pacific Investments Corp.	7,038,900	30,126,492	477,350
Metro Drug Distribution	83	8,333	-
Phinma Corporation	545,200	5,452,000	218,080
Belle Resources	250,000	427,500	30,000
Rizal Commercial Banking Corp.	13,800	260,544	7,590
Semirara Mining and Power Corp.	579,000	7,978,620	336,250
Union bank of the Phils.	8,000	575,200	-
Premiuim Leisure	1,180,000	525,100	59,283
Eastwest Banking Corp.	10,000	108,000	-
China Banking Corp.	50,000	1,247,500	50,000
	12,994,597	P83,841,199	P1,696,502

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES
SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
DECEMBER 31, 2020

December 31, 2020

Name and Designation of Debtor	Beginning Balance	Additions	Amounts Collected	Amounts Written Off	Current	Not Current	Ending Balance
	NOT APPLICABLE					P -	
						P -	

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES
SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2020
(Amounts in thousands)

December 31, 2020

Name and Designation of Debtor	Beginning Balance	Additions	Assignment/ Condonation	Written Off	Current	Not Current	Ending Balance
Trade receivables							
SCPC	P -	P -	P -	P -	P -	P -	P -
	-	-	-	-	-	-	-
Trade payables		-	-	-	-	-	-
SCPC	95,072	-	-	-	95,072	-	95,072
	95,072	-	-	-	95,072	-	95,072
Advances to subsidiaries,							
at gross		-	-	-	-	-	-
SCPC	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	P95,072	**P -**	**P -**	**P -**	**P95,072**	**P -**	**P95,072**

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES
SCHEDULE D - LONG-TERM DEBT
DECEMBER 31, 2020
(Amounts in thousands)

December 31, 2020

Title of issue and type of obligation	Amount Authorized by Indenture	Amount shown under caption “Current portion of Long-Term Debt” in related statement of financial position	Amount shown under caption “Current portion of Long-Term Debt” in related statement of financial position
Borrowings	**P536,247**	**P536,247**	**P -**

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES
SCHEDULE E- INDEBTEDNESS TO RELATED PARTIES
(LONG TERM LOANS FROM RELATED COMPANIES)
DECEMBER 31, 2020
(Amounts in thousands)

December 31, 2020

Name of related party	Balance at the beginning period	Balance at the end of the period
Shareholders	P339,562	P190,000
	P339,562	**P190,000**

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES
SCHEDULE F- GUARANTIES OF SECURITIES OF OTHER ISSUER
DECEMBER 31, 2020
(Amounts in thousands)

December 31, 2020

Name of issuing entity of securities guaranteed by the Company for which this statement is filed	Title of issues of each class of securities guaranteed	Total amount of Guaranteed and Outstanding	Amount owed by Person for which statement is filed	Nature of Guarantee
	NOT APPLICABLE			

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES
SCHEDULE G - CAPITAL STOCK
DECEMBER 31, 2020

December 31, 2020

Title of Issue	Number of Shares Authorized	Number of Shares Issued, subscribed and outstanding	Number of Shares Reserved for Options, Warrants, Conversion and Other Rights	Number of Shares Held by: Related Parties	Number of Shares Held by: Directors, Officers and Employees	Number of Shares Held by: Others
Common shares	2,000,000,000	1,418,812,082	-	-	-	1,418,812,082

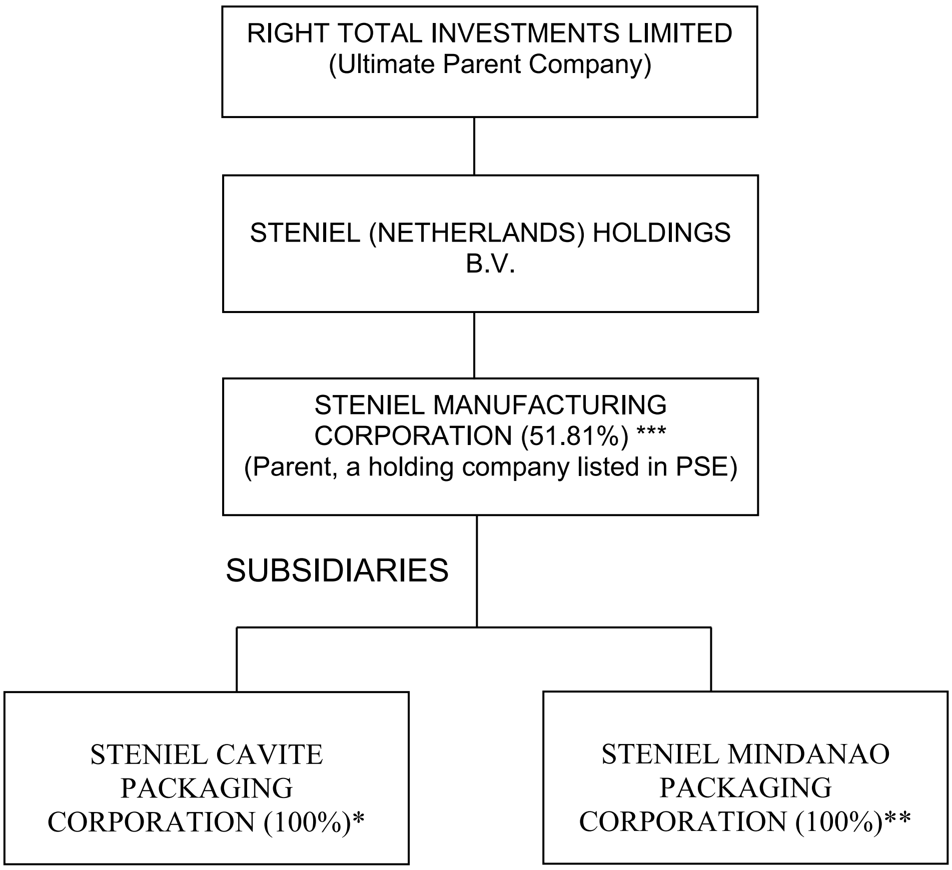
STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES
Gateway Business Park
Brgy. Javalera, General Trias, Cavite

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

Ratio	Formula	As of December 31, 2020	As of December 31, 2019
Liquidity: Current Ratio	Current Assets / Current Liabilities	1.12	1.27
Solvency: Debt to Equity Ratio	Total Liabilities (Current + Noncurrent) / Equity	2.01	(10.55)
Asset to Equity Ratio	Total Assets (Current + Noncurrent) / Equity	3.01	(9.55)
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	70%	(77%)
		For the Year Ended December 31, 2020	For the Year Ended December 31, 2019
Operating Efficiency: Operating Margin	Income from Operating Activities / Net Sales	86%	74%
Return on Equity	Net Income / Equity	33%	(91%)
Return on Assets	Net Income / Total Assets	11%	9%

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.*

**** Private sale between Steniel (Netherlands) Holdings B.V (as seller) and Greenkraft Coporation, Golden Bales Corporation, Corbox Corporation, Rex Chua, and Clement Chua (as buyers) have not been recorded in the books of STN as the Certificate Authorizing Registration therefor have not yet been issued by the Bureau of Internal Revenue. Steniel (Netherlands) Holdings B.V owns 5% equity interest in STN after the registration of the sale and tender offer.*

Annex D

SUSTAINABILITY REPORT

STENIEL MANUFACTURING CORPORATION
SUSTAINABILITY REPORT FOR 2020

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 (temporarily suspended). Leasing of machinery and equipment.
Reporting Period	Calendar Year 2020
Highest Ranking Person Responsible for this report	Eliza C. Macuray – Treasurer/CFO/CAE

I. ECONOMIC

a. Economic Performance

i. Direct Economic Value Generated and Distributed

Disclosure	Amount (in Php)
Direct economic value generated (revenue)	40,000,000.00
Direct economic value distributed:	
a. Operating costs	5,788,000
b. Employee wages and benefits	884,000
c. Payments to suppliers, other operating costs	-
d. Dividends given to stockholders and interest payments to loan providers	-
e. Taxes given to government	11,860,910.00
f. Investments to community (e.g. donations, CSR)	-

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 affects share value, the ability to pay employee wages and benefits, the amount of money that can be spent on CSR, and taxes paid to the government.	• Stockholders • Employees • Government • Community	The Company adheres to good business practices to ensure consistent performance and healthy revenue growth
What are the Risk/s identified?	**Which stakeholders are affected?**	**Management Approach**
Revenue can be affected by the business performance of its machinery and equipment lessee. Market volatility that affects the	• Stockholders • Employees • Government	The Company ensures that its machineries and equipment for lease are periodically checked and serviced to ensure smooth

performance of its investments in equity instruments can also affect revenue performance.		operations for the lessee
What are the Opportunity/ies identified?	**Which stakeholders are affected?**	**Management Approach**
Revenue performance can be enhanced by a sound investment plan	• Stockholders • Employees • Government	Management is currently studying investment opportunities that can help improve revenue performance

b. Procurement Practices

i. Proportion of spending on local suppliers

Disclosure	Quantity
Percentage of procurement budget used for significant locations of operations that is spent on local suppliers	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
Taking into account the nature and size of operations, the Company's impact in relation to this matter is negligible.	-	-
What are the Risk/s identified?	**Which stakeholders are affected?**	**Management Approach**
Taking into account the nature and size of operations, the Company's risks in relation to this matter are negligible.	-	-
What are the Opportunity/ies identified?	**Which stakeholders are affected?**	**Management Approach**
Taking into account the nature and size of operations, the Company's opportunities in relation to this matter are negligible.	-	-

c. Anti-Corruption

i. Training on Anti-corruption Policies and Procedures

Disclosure	Quantity
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
Anti-corruption policies and procedures are explained and enforced at all levels of the organization	• Directors and Officers • Employees • Business Partners • Government	Management ensures that its anti-corruption policies and procedures are explained to its employees and business partners. Officers and Employees are prohibited from engaging in direct and indirect bribery and corrupt practices. In addition to the foregoing, all of the Company's Directors and Officers undergo mandatory Corporate Governance seminars annually. Such seminars include anti-corruption topics.
What are the Risk/s identified?	**Which stakeholders are affected?**	**Management Approach**
Failure to strictly enforce the Company's anti-corruption policies and procedures	• Directors and Officers • Employees	Management strictly enforces the Company's anti-corruption policies and procedures and reviews all transactions to ensure that there is no corruption involved.
What are the Opportunity/ies identified?	**Which stakeholders are affected?**	**Management Approach**
Enhance training on anti-corruption policies and procedures	• Directors and Officers • Employees	Management is looking into ways it can enhance training on anti-corruption policies and procedures.

ii. Incidents of Corruption

Disclosure	Quantity
Number of incidents in which directors were removed or disciplined for corruption	0
Number of incidents in which employees were dismissed or disciplined for corruption	0
Number of incidents when contracts with busines partners were terminated due to incidents of corruption	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
Acts of corruption affect the Company's reputation and morale of its people	• Directors and Officers • Employees • Government	Management strictly enforces the Company's anti-corruption policies and procedures and reviews all transactions to ensure that there is no corruption involved.
What are the Risk/s identified?	**Which stakeholders are affected?**	**Management Approach**

Acts of corruption affect the Company's reputation and morale of its people	• Directors and Officers • Employees • Government	Management strictly enforces the Company's anti-corruption policies and procedures and reviews all transactions to ensure that there is no corruption involved.
What are the Opportunity/ies identified?	**Which stakeholders are affected?**	**Management Approach**
Enhance training on anti-corruption policies and procedures	• Directors and Officers • Employees • Government	Management is looking into ways it can enhance training on anti-corruption policies and procedures.

II. ENVIRONMENT

a. Resource Management

i. Energy consumption within the organization

Disclosure	Quantity	Units
Energy Consumption (renewable sources)	N/A	GJ
Energy Consumption (gasoline)	N/A	GJ
Energy Consumption (LPG)	N/A	GJ
Energy Consumption (diesel)	N/A	GJ
Energy Consumption (electricity		kWh

ii. Reduction of energy consumption

Disclosure	Quantity	Units
Energy Consumption (renewable sources)	N/A	GJ
Energy Consumption (gasoline)	N/A	GJ
Energy Consumption (LPG)	N/A	GJ
Energy Consumption (diesel)	N/A	GJ
Energy Consumption (electricity)	N/A	kWh

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 only consumes electricity equivalent to the use of lights and office equipment. Thus, impact is negligible.	-	-
What are the Risk/s identified?	**Which stakeholders are affected?**	**Management Approach**
Taking into account the nature and size of operations, the Company only consumes electricity equivalent to the use of lights and office equipment. Thus, risk is negligible.	-	-
What are the Opportunity/ies identified?	**Which stakeholders are affected?**	**Management Approach**

Taking into account the nature and size of operations, the Company only consumes electricity equivalent to the use of lights and office equipment. Thus, opportunities in relation to this matter are negligible.	-	-

iii. Water consumption within the organization

Disclosure	Quantity	Units
Water withdrawal	0	Cubic m
Water consumption	0	Cubic m
Water recycled and reused	0	Cubic m

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. Thus, impact is negligible.	-	-
What are the Risk/s identified?	**Which stakeholders are affected?**	**Management Approach**
Taking into account the nature and size of operations, the Company has minimal water consumption. Thus, risk is negligible.	-	-
What are the Opportunity/ies identified?	**Which stakeholders are affected?**	**Management Approach**
Taking into account the nature and size of operations, the Company minimal water consumption. Thus, opportunities in relation to this matter are negligible	-	-

iv. Materials used by the organization

Disclosure	Quantity	Units
Materials used by weight or volume		
• Renewable	0	kg/liters
• Non-renewable	0	kg/liters
Percentage of recycled input materials used to manufacture the organization's primary products	N/A	

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 usage of materials. Thus, impact is negligible.		
What are the Risk/s identified?	**Which stakeholders are affected?**	**Management Approach**
Taking into account the nature and size of operations, the Company has minimal usage of materials. Thus, risk is negligible.	-	-
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 usage of materials. Thus, risk is negligible.	-	-

v. 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	N/A	
Habitats protected or restored	N/A	ha
IUCN Red List species and national conservation list species with habitats in areas affected by operations	N/A	

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.	-	-
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.	-	-
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.	-	-

b. Environmental impact management

i. GHG

Disclosure	Quantity	Units
Direct (Scope 1) GHG Emissions	N/A	Tonnes CO2e
Energy indirect (Scope 2) GHG Emissions	N/A	Tonnes CO2e

Emissions of ozone-depleting substances (ODS)	N/A	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
Taking into account the nature and size of Operations, the Company has negligible impact in relation this matter.	-	-
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.	-	-
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.	-	-

ii. Air pollutants

Disclosure	Quantity	Units
NOx	N/A	kg
SOx	N/A	kg
Persistent organic pollutants (POPs)	N/A	kg
Volatile organic compounds (VOCs)	N/A	kg
Hazardous air pollutants (HAPs)	N/A	kg
Particulate matter (PM)	N/A	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.	-	-
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.	-	-
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.	-	-

iii. Solid waste

Disclosure	Quantity	Units
Total solid waste generated	0	kg
Reusable	0	kg
Recyclable	0	kg
Composted	0	kg
Incinerated	0	kg
Residuals/Landfilled	0	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.	-	-
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.	-	-
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.	-	-

iv. Hazardous waste

Disclosure	Quantity	Units
Total weight of hazardous waste generated	N/A	kg
Total weight of hazardous waste transported	N/A	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.	-	-
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.	-	-
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.		

v. Effluents

Disclosure	Quantity	Units
Total weight of hazardous waste generated	N/A	kg
Total weight of hazardous waste transported	N/A	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.	-	-
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.	-	-
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.	-	-

c. Environmental compliance

i. Non-compliance with Environmental Laws and Regulations

Disclosure	Quantity	Units
Total amount of monetary fines for non-compliance with environmental laws and/or regulations	N/A	Php
No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations	N/A	
No. of cases resolved through dispute resolution mechanism	N/A	

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.	-	-
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.		
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.	-	-

III. SOCIAL

a. Employee Management

i. Employee data

Disclosure	Quantity	Units
Total number of employees	1	
a. Number of female employees	1	
b. Number of male employees		
Attrition rate (no. of new hires – no. of turnover)/(average of total no. of employees of previous year and total no. of employees of current year)		
Ratio of lowest paid employee against minimum wage		

ii. 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		
PhilHealth	Y		
Pag-Ibig	Y		
Parental leaves	Y		
Vacation leaves	Y		
Sick leaves	Y		
Medical benefits (aside from PhilHealth)	Y		
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		

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Benefits increase employee morale and productivity	• Employees	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?	**Which stakeholders are affected?**	**Management Approach**
Employee dissatisfaction and	• Employees	Management is looking into ways on

attrition due to competition		how to improve morale
What are the Opportunity/ies identified?	**Which stakeholders are affected?**	**Management Approach**
Periodic review of employee satisfaction	• Employees	Management is looking in to periodically reviewing employee satisfaction to address the employees' needs and concerns

iii. Employee Training and Development

Disclosure	Quantity	Units
Total training hours provided to employees		
a. Female employees	4	Hours
b. Male employees		Hours
Average training hours provided to employees		
a. Female employees	4	Hours/employee
b. Male employees		Hours/employee

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 to this matter.	-	-
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.	-	-
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.	-	-

iv. Labor-Management Relations

Disclosure	Quantity	Units
% of employees covered with Collective Bargaining Agreements	N/A	
Number of consultations conducted with employees concerning employee-related policies	N/A	

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.		
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.	-	-
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.	-	-

v. Diversity and Equal Opportunity

Disclosure	Quantity	Units
% of female workers in the workforce		
% of male workers in the workforce		
Number of employees from indigenous communities and/or vulnerable sector (includes elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other disease, solo parents, and the poor or the base of the pyramid [Class D and E])		

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.	-	-
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.	-	-
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.	-	-

b. Workplace Conditions, Labor Standards, and Human Rights

i. Occupational Health and Safety

Disclosure	Quantity	Units
Safe Man-Hours		Man hours
No. of work-related injuries	0	
No. of work-related fatalities	0	

No. of work-related ill-health	0	0
No. of safety drills	2	2

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.	-	-
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.	-	-
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.	-	-

ii. Labor Laws and Human Rights

Disclosure	Quantity	Units
No. of legal actions or employee grievances involving forced or child labor	0	

Do you have policies that explicitly disallow 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?	Which stakeholders are affected?	Management Approach
Taking into account the nature and size of Operations, the Company has negligible impact in relation this matter.	-	-
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.	-	-
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.		

c. 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?	Which stakeholders are affected?	Management Approach
Taking into account the nature and size of Operations, the Company has negligible impact in relation this matter.	-	-
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.	-	-
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.	-	-

d. Relationship with Community

i. Significant Impacts on Local Communities

Operations with significant (positive or negative) impacts on local communities (exclude CSR projects; this has to be business operations)	Location	Vulnerable groups (if applicable)	Collective or individual rights that have been identified that are of particular concern for the community	Mitigating measures (if negative) or enhancement measures (if positive)
N/A	N/A	N/A	N/A	N/A

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: ____

Disclosure	Quantity	Units
FPIC process still undergoing	N/A	
CP secured	N/A	

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.	-	-
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.	-	-

e. Customer Management

i. Customer Satisfaction

Disclosure	Score	Did a third party conduct the customer satisfaction study (Y/N)?
Customer satisfaction	N/A	N

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
N/A	-
What are the Risk/s identified?	**Management Approach**
N/A	-
What are the Opportunity/ies identified?	**Management Approach**
N/A	-

ii. Health and Safety

Disclosure	Quantity	Units
No. of substantiated complaints on product or service health and safety	0	
No. of complaints addressed	N/A	

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Taking into account the nature and size of Operations, the Company has negligible impact in relation this matter.	-
What are the Risk/s identified?	**Management Approach**
Taking into account the nature and size of Operations, the Company has negligible risks in relation this matter.	-
What are the Opportunity/ies identified?	**Management Approach**
Taking into account the nature and size of Operations, the	-

Company has negligible opportunities in relation this matter.	

iii. 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
Taking into account the nature and size of Operations, the Company has negligible impact in relation this matter.	-
What are the Risk/s identified?	**Management Approach**
Taking into account the nature and size of Operations, the Company has negligible risks in relation this matter.	-
What are the Opportunity/ies identified?	**Management Approach**
Taking into account the nature and size of Operations, the Company has negligible opportunities in relation this matter.	-

iv. Customer privacy

Disclosure	Quantity	Units
No. of substantiated complaints on customer privacy	0	
No. of complaints addressed	N/A	
No. of customers, users and account holders whose information is used for secondary purposes	N/A	

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
What are the Risk/s identified?	**Management Approach**
What are the Opportunity/ies identified?	**Management Approach**

v. Data Security

Disclosure	Quantity	Units
No. of data breaches, including leaks, thefts and losses of data	0	

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Data breaches will cause loss of trust and confidence in the Company	The Company strictly enforces data privacy policies and practices to avoid data breach. These are compliant with Data Privacy Law and regulations.
What are the Risk/s identified?	**Management Approach**
Loss of trust and confidence in the Company in case of data breach	The Company strictly enforces data privacy policies and practices to avoid data breach. These are

	compliant with Data Privacy Law and regulations.
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

IV. UN SUSTAINABLE DEVELOPMENT GOALS

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
Lease of machinery 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.